

**beautiful
for today,
good for
tomorrow**

2020 sustainability report



HEMA

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are made of**
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beautiful for today, good for tomorrow

HEMA in 2020

2020 was a unique year. Our work providing our customers with HEMA designed products, continued unabated. From raw materials to the products in our (online) stores.



growth in online sales

More than 80% growth in online sales



introduction of special parental leave

Ten weeks of leave for couples welcoming a baby into their family

new distribution centre

Opening of second distribution centre in Nieuwegein, sustainably built to the BREEAM 'excellent' standard



Workplace Pride

We set up an internal workgroup to raise the flag for the LGBTI+ community

HEMA design contest

Design contest for new HEMA products with young designers



HEMA
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sustainable purchasing

Sustainable cotton, 91% FSC paper and wood, 79.5% RSPO palm oil for cosmetics, 100% RDS down



Diversity Charter

Preparing to sign charter to promote diversity and inclusivity at HEMA



introduction ookworst

Vegetarian version of the iconic HEMA smoked sausage



Parcom and Mississippi Ventures

Discussions about acquisition have started

partnership with SAVE in India

48 training courses given to ▶1700 staff to strengthen the position of employees

safe shopping during the COVID-19 pandemic

Online and
in stores

less plastic

Reducing plastic in our products and packaging



**Tjeerd
Jegen**

CEO bij HEMA

focusing on sustainability in a unique year

2020 was a turbulent year for us all. Due to the COVID-19 pandemic, we and our customers faced multiple challenges. The enforced closure of stores meant we could no longer serve our in-store customers optimally. We did our best to overcome this by assisting customers online and picking orders in our stores for distribution to customers. I greatly appreciate all colleagues who were fully committed and managed to continuously adapt to changing circumstances.

We want to make our customers' daily lives better, more fun and easier, and hence also more sustainable. Despite the challenging circumstances, sustainability remained an important focus for us. We continued to work on more sustainable products and refining our sustainability targets. This is reflected in our product range. For example, we launched our Clean Beauty range, we introduced folding letter crates made from 100% recycled plastic and investigated how we can take the first steps towards making our products circular. However, most significantly of all, we developed truly sustainable relationships. Together with our partners and suppliers, we continuously explored the options for offering the most sustainable product range to our customers.

Besides challenges, we also experienced positive changes at HEMA. HEMA is now owned by the Parcom and Mississippi Ventures investment companies, which



provide HEMA with a very sound financial basis. Most discussions about this took place in 2020, and the new ownership was sealed in early 2021. Mississippi Ventures is owned by the Van Eerd family, owner of Jumbo supermarkets, which HEMA has started working with in 2020. This means we are ready for the final years leading up to our centenary, and for the years thereafter as a financially sound, contemporary and most of all sustainable company.

With this new ownership and a sound financial basis in place, I see this as a good moment to step back and allow new leadership to take over. I can look back on six great years, in which sustainability became a permanent and important part of HEMA, and look forward with confidence to passing on the helm to the new CEO, Saskia Egas Reparaz, on 1 June 2021.

Here's to a beautiful and sustainable future!

Tjeerd Jegen, CEO HEMA

Ever since I joined HEMA, one of my favourite products has been the iconic HEMA smoked sausage. For me, it is particularly special that we introduced the vegetarian version, the ookworst, in 2020. This is a great example of how we make all our products accessible to a broad public, because HEMA is for everyone.

about HEMA

HEMA products are designed based on HEMA values

- optimistic: they put a smile on your face
- clear: they are easy to use
- accessible: HEMA is for everyone
- typically Dutch: no-nonsense and friendly
- reliable: they are high quality
- unique: they are created by our own designers
- sustainable: they are the result of sustainable processes and materials

771 stores in eleven countries

543 in the Netherlands, 98 in Belgium, 70 in France, 20 in Germany, 9 in Spain, 7 in the United Arab Emirates, 7 in the United Kingdom, 6 in Austria, 4 in Luxembourg, 4 in Mexico, 3 in Qatar

partnerships

Walmart in the United States, Jumbo and Wehkamp in the Netherlands and Franprix and Casino in France



1541 million euros sales

37% hard goods, 38% clothes and underwear, 22% food and drink, 3% services



six online stores

Netherlands, Belgium, Germany, France, United Kingdom, Mexico

32,000 products

Range of unique HEMA products

almost 100 years HEMA

HEMA, the Hollandsche Eenheidsprijsen Maatschappij Amsterdam (Hollandic Standard Prices Company Amsterdam), will reach the age of 95 in 2021. Founded almost 100 years ago in 1926, HEMA is active in eleven countries with 771 physical stores and six online stores. Our nineteen thousand employees are all committed to making the lives of the six million customers who visit HEMA every week better, more fun and easier.

Wherever we are active, HEMA stores and online stores sell the same range of unique products at attractive prices. But we also adapt. For example, we don't sell pork or wine in Islamic countries, our electrical appliances have the correct plugs for each country and we only sell fresh food and wine in the Netherlands and Belgium.

sustainable value

HEMA wants to make daily life better, more fun, easier, and above all, also more sustainable. We do this for our customers, our employees and for our suppliers and service providers. This all comes together in the choice of materials and designs of our products, where sustainability and reusability are important principles.

At HEMA, making products and processes more sustainable makes everything three times better:

- Better for the customer.
- Better for the people who make our products.
- Better for the world we live in.

In this report, we tell you more about how we are making our products and processes increasingly sustainable.

HEMA employees

HEMA is for everyone, as a brand and as an employer. An open culture where everyone is equal and plays an active role, regardless of our differences: that is what we stand for.

office employees

	NL support office	NL DC	NL bakeries	Dhaka purchasing	Hong Kong purchasing	Shang-hai purchasing
men	223	455	174	15	2	9
permanent contract	165	418	150	11	2	2
temporary contract	58	37	24	4		7
full time	187	377	146	15	2	9
part time	36	78	28			
women	444	154	69	4	7	21
permanent contract	313	142	46	4	7	1
temporary contract	131	12	23			20
full time	245	89	21	4	6	20
part time	199	65	48		1	1
total % CAO (Collective Labour Agreement)	95%	99%	99%			

store employees

	NL	BE	FR	GE	AU	UK	SP	LUX
men	913	82	230	38	4	30	46	2
permanent contract	420	75	230	12	4	30	25	2
temporary contract	493	7		26			21	
full time	196	38	180	39	1	18	8	1
part time	717	44	50	160	3	12	38	1
women	6604	758	399	199	54	42	98	31
permanent contract	3226	710	399	72	54	42	49	29
temporary contract	3378	48		127			49	2
full time	390	200	284	12	10	18	11	4
part time	6214	558	115	26	44	24	87	27
undetermined							1	
permanent contract							1	
part time							1	
total % CAO (Collective Labour Agreement)	100%	100%	100%	100%	100%	100%	100%	100%

* Reference date: 31/12/2020. Interns and the franchise stores in the United Arab Emirates and Qatar are not included in this summary.

OUR VALUE CHAIN - from raw materials to customers



smoked sausage

Our iconic HEMA product, the smoked sausage, is made from meat with the 1-star Beter Leven ("Better Life") label



all cotton products purchased sustainably

We purchase cotton via the Better Cotton Initiative (BCI) and under the guidelines of the Organic Content Standard (OCS) and the Global Organic Textile Standard (GOTS)



purchasing offices in Dhaka, Hong Kong and Shanghai

Via our global purchasing offices, we purchase sustainable raw materials whenever we can and monitor working conditions

32,000 HEMA products

- Better for the customer
- Better for the people who make our products
- Better for the world we live in



19,000 employees

In our support office in the distribution centres, in the purchasing offices and in our stores, our employees work hard every day to serve our customers



training and development

We promote cooperation, personal development and ambassadorship among our employees

diversity and inclusivity

HEMA is for everyone. We demonstrate this via initiatives such as our HEMA Foundation and our internal Workplace Pride workgroup



HEMA products designed based on HEMA values

Optimistic, clear, accessible, typically Dutch, reliable, unique and sustainable



6 million HEMA customers shop every week

Call and order at local HEMA branches, click and collect via the HEMA website and shopping (by appointment) in a store of their choice

local initiatives

HEMA aims to make a positive contribution to the local community. We donate unsold food to organisations such as the Salvation Army and food banks, or sell it via Too Good To Go



<p>social</p> <p>► 6 million HEMA customers per week</p>	<p>our investments</p> <ul style="list-style-type: none"> • HEMA Foundation • internal Workplace Pride workgroup • dedication to diversity and inclusivity • HEMA design to promote discussion of important issues in society 	<p>our results</p> <ul style="list-style-type: none"> • introduction of special parental leave • raising the rainbow flag at our distribution centre, support office and bakeries • inclusive product range 	<p>our impact</p> <p>HEMA is for everyone. We make it possible to discuss complex social challenges and use our design to promote inclusivity. We do this as HEMA and with our partners.</p> <p>● SDGs: 5, 10 and 17</p> <p>Read more in pillars 1 and 3</p>	<p>OUR VALUE CREATION MODEL</p> <p>HEMA is at the heart of society. We strive to make a positive impact on the entire supply chain, from raw materials to customers.</p>
<p>production</p>	<p>our investments</p> <ul style="list-style-type: none"> • 3 purchasing offices in Dhaka, Bangladesh and Shanghai • 2 distribution centres in Utrecht and Nieuwegein <p>our impact</p> <p>At HEMA, we believe it is important to work as part of a transparent and sustainable supply chain, which respects the dignity of employees and in which we use raw materials as sustainably as possible.</p> <p>● SDGs: 8, 12 and 17</p> <p>Read more in pillar 2</p>	<p>sales in our stores and online</p> <p>buy HEMA products</p> <p>beautiful for today, good for tomorrow</p> <p>purchasing of raw materials</p>	<p>distribution</p> <p>our investments</p> <ul style="list-style-type: none"> • 19,000 employees worldwide • coaching and development 	<p>our impact</p> <p>We want to offer employees a safe and pleasant working environment. Every employee should feel comfortable at work.</p> <p>● SDGs: 5 and 10</p> <p>Read more in pillar 3</p>
<ul style="list-style-type: none"> • 771 stores in eleven countries • support office in Amsterdam • online stores in six countries 			<p>production</p> <p>natural</p>	<p>our Investments</p> <ul style="list-style-type: none"> • sustainable HEMA design for our products • responsible purchasing • fuel for transport to stores <p>our results</p>
<p>our results</p> <ul style="list-style-type: none"> ► 32,000 products, 37% hard goods, 38% clothing and underwear, 22% food and drink, 3% services • 86% of online product reviews have 3 or 4 stars • list of tier 1 factories published • audits at new production locations in high-risk countries • 97 MRQ and 401 BSCI audits of social criteria • 48 training courses given to ►1,700 staff to strengthen the position of employees via SAVE 	<p>financial</p> <ul style="list-style-type: none"> • 103.5 million euros equity capital in 2020 • 35.4 million euros investments (CAPEX) in 2020 	<p>our investments</p> <ul style="list-style-type: none"> • partnership with Jumbo and Walmart.com • collaboration with Franprix, Casino and Wehkamp <p>our results</p> <ul style="list-style-type: none"> • 1541 million euros sales in 2020 • 1064 million euros netto sales in 2020 	<p>our impact</p> <p>For HEMA, sustainability and financial results go hand in hand. In this way, we can make a positive impact on people, the environment and society.</p> <p>● SDGs: 8 and 12</p> <p>Read more in About HEMA</p>	<p>our impact</p> <p>HEMA aims to use raw materials as efficiently as possible and to focus more on circularity. This means future generations can continue to thrive on our planet.</p> <p>● SDGs: 8, 12, 13 and 17</p> <p>Read more in pillars 1 and 2</p>

sustain- ability at HEMA

sustainability pillars and topics

Sustainability is at the heart of our company. In 2019, we analysed which sustainability-related topics our internal and external stakeholders considered most important for HEMA. Via an online questionnaire and interviews, we collected input from employees from many departments (management and board members and employees), as well as social organisations and suppliers.

The materiality matrix indicates how relevant they believed each topic was for HEMA. The areas where HEMA can make the greatest impact are shown on the top right. We have divided these topics into three pillars:

1. What our products are made of
2. How our products are made
3. Our role in society

1. raw materials

We aim to reduce the negative impact of our products by using alternative and more sustainable raw materials. We are also taking major steps within the linear model and have ambitions to work in a circular manner.

Pillar 1: What our products are made of p. 14

2. supply chain responsibility

We accept responsibility for our supply chain. We work continuously to gain a better understanding of our supply chains and identify potential risks to people, animals and the environment. Increasingly we communicate with our customers about this.

Pillar 2: How our products are made p. 23

3. working conditions at manufacturers' facilities

We work hard to ensure that our products are produced responsibly. We always carry out audits before working with new factories. In 2019, we also initiated new activities to implement even more effective improvements.

Pillar 2: How our products are made p. 25

4. sustainable design

Sustainability, customer solutions and quality are at the heart of our product development. We aim to create products that are better in three respects: better for the customer, better for the people who make our products and better for the world we live in.

Pillar 1: What our products are made of p. 20

5. packaging

We use various types of packaging to protect and transport our products. Our ambition is to use fewer, more sustainable and more easily recyclable packaging materials.

Pillar 1: What our products are made of p. 20

6. customer satisfaction

We don't just want to make our customers' lives more fun and easier, but also better.

We do so by making more and more sustainable choices available, in all the countries where we are present, in stores and online.

Pillar 3: Our role in society p. 29

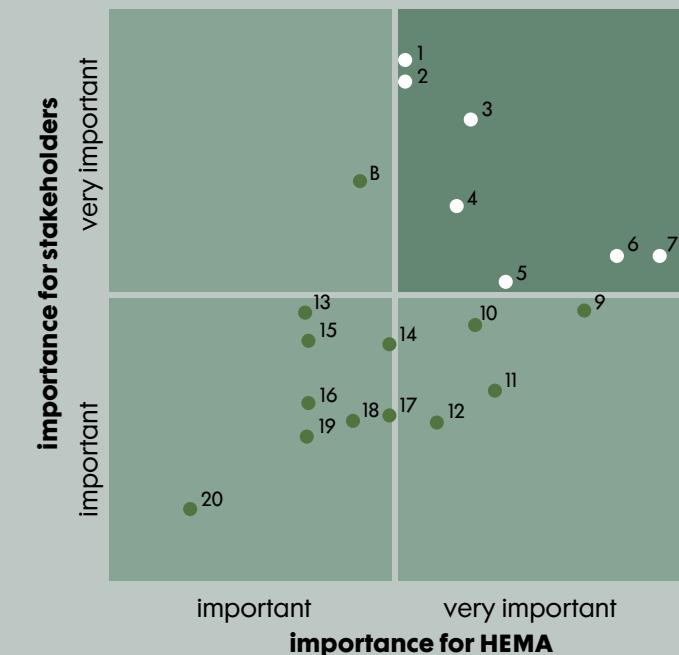
7. being a good employer

We believe in the power of a well-trained, healthy and contented workforce. It is also important to us that the composition of our workforce reflects society.

Pillar 3: Our role in society p. 30

8. sustainable operations, 9. financial performance,
10. employee engagement, 11. employee development,
12. diversity, 13. reducing food waste, 14. commitment to
society, 15. animal welfare, 16. energy consumption, 17.
healthy product range, 18. collecting waste for recycling,
19. transport and logistics, 20. local purchasing

materiality matrix



consolidating sustainability

Together with all our staff, we are working hard to become more sustainable. We have a sustainability department, which is responsible for strategy and for monitoring our sustainability policy. This team supports other departments, for example by helping them purchase as sustainably as possible or to develop a sustainable HEMA design.

The Executive Board and Operating Board are also closely involved with the sustainability policy. The sustainability department is represented in the Operating Board and the Executive Board. The Executive Board and Sustainability is on the agenda every month, which allows for regular monitoring of new initiatives and progress towards achieving results. In 2021, we aim to set up a Sustainability Committee with members of the Executive and Operating Boards. This will help to consolidate sustainability within the HEMA organisation.

It is important to us that employees really feel part of the organisation. This is why we keep them informed via mailings, HeyHEMA and regularly survey their opinions.

It is important to us that employees really feel part of the organisation. This is why we keep them informed via mailings, HeyHEMA (our intranet) and regularly survey their opinions. We also ensure that employees can easily share their opinions within our organisation. In the Netherlands, employees can do so anonymously via the whistleblower procedure.





A HEMA product that really appeals to me is the vegan apple crumble pie. In 2019, we added this to our range specially for people with a vegan diet or allergy. And it's just as tasty as ever!

steps to promote sustainability during the COVID-19 pandemic

I am often asked what makes a product sustainable. For me, this is an ongoing process. We must work continuously to create a better product, with a less negative effect on people and the environment, which supports people or encourages them to live more sustainably. High-quality products with a long lifespan are an essential part of this. At HEMA, we strive to make our assortment a little better every day.

Sustainability is important to HEMA, and 2020 presented us with plenty of challenges. Some of the sustainable raw materials we use for our products were unavailable. The price of certain raw materials, such as organic cotton, also rose enormously. This meant that some of our targets for sustainable raw materials were postponed from 2021 to 2022. Nevertheless, we have maintained our standards and are working as hard as ever to put them into practice. This crisis has also underlined the importance of sustainability. This means that moving

towards circularity is very important to us. Together with the design team and purchasers, we are devoting extra attention to circularity in new designs and material use.

While working with our suppliers is important to reach our sustainability targets, the COVID-19 pandemic meant we were unfortunately obliged to amend several orders. We looked for solutions together with our suppliers, which confirmed the importance of working in partnership. Sean Thistleton, our global procurement director, explains how we deal with this challenge on page 24.

I am also proud that we signed the Diversity Charter in early 2021, and that we are working to become an even more inclusive employer. As a brand, we also have the capacity and trust to make society more aware of the importance of diversity and inclusivity. We have worked on this for many years, for example with the HEMA Foundation, special parental leave for our employees and by making conscious choices in the models and language we use. However, we will make this a more permanent part of our organisation in the coming years. This aligns perfectly with our mission as a company and employer: we are for everyone.



**Eva
Ronhaar**

director of Innovation and Sustainability and director of the HEMA Foundation at HEMA



pillar 1

what our products are made of

13

striving for a positive impact on people, the environment and animals

At HEMA, we devise and develop our products ourselves. That makes us truly HEMA. We do so with attention for people, the environment and animals. We strive to use sustainable raw materials. We ensure that our products have a long lifespan and we think carefully about their packaging. This applies to all our products, from hard goods to food and drink, beauty products and clothing.



sustainable HEMA design

We design our products ourselves. This makes HEMA unique. It also means we have a great deal of influence on the choice of raw materials used, the design and the packaging. To make our products better, more fun and easier, we assess our designs against several criteria:

- Better for the customer: smart design and easy to use products with a long lifespan made from sustainable materials.
- Better for the people who make our products: where possible, we increase the positive social impact of our product development.
- Better for the world we live in: we reduce the negative environmental impact as much as possible.

We are investigating how we can apply circularity to our products. In 2021, we will launch a circular design training course for HEMA employees.

inclusive product range

HEMA is for everyone. This is reflected in our product range. For example, we offer skincare products for every skin type and age, and everyone can find the chocolate letter of their choice, because we have all the letters of the alphabet. We also frequently receive questions from our customers, for example about the Indian costume in the United Kingdom. We were asked whether it was still appropriate to sell such a product. We removed the costume from our range in the United Kingdom and will not order it again in other countries, which means it will automatically disappear from our stores.

from HEMA design contest to truly HEMA products

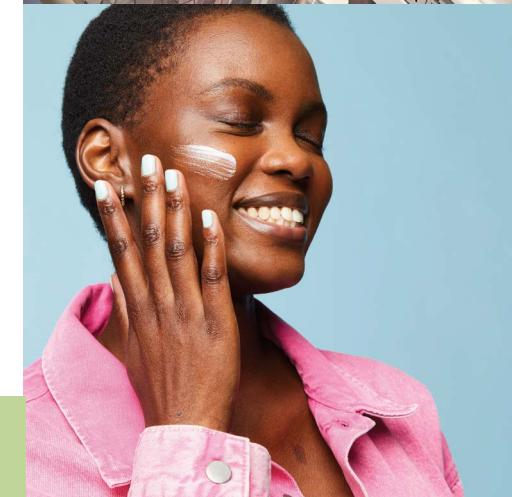
In 2020, HEMA relaunched the HEMA design contest after an absence of five years. We asked young designers to come up with innovative solutions to make time spent with loved ones at home better, more fun and easier. A perfect topic for this unique year! The winning designs are smart, sustainable and most of all optimistic. Claudia Bleeker won the jury prize with her design 'Houtje-

Touwtje', a children's book with stories and wooden building elements that children can assemble themselves. Maike Min won the public prize with her 'Bloeitegel' ('Blossom Tile'), a kit to replace a paving slab with a little green garden. The HEMA design team can't wait to work with these young designers to turn their ideas into truly HEMA products.

sustainable purchasing of raw materials

We believe it is important to treat raw materials with care, as some of these will become increasingly scarce in the future, and because of our scale. This means the choices we make about raw materials have a direct effect on people and the environment. This is why sustainable and circular alternatives are very important to us. We have already achieved good results in recent years.

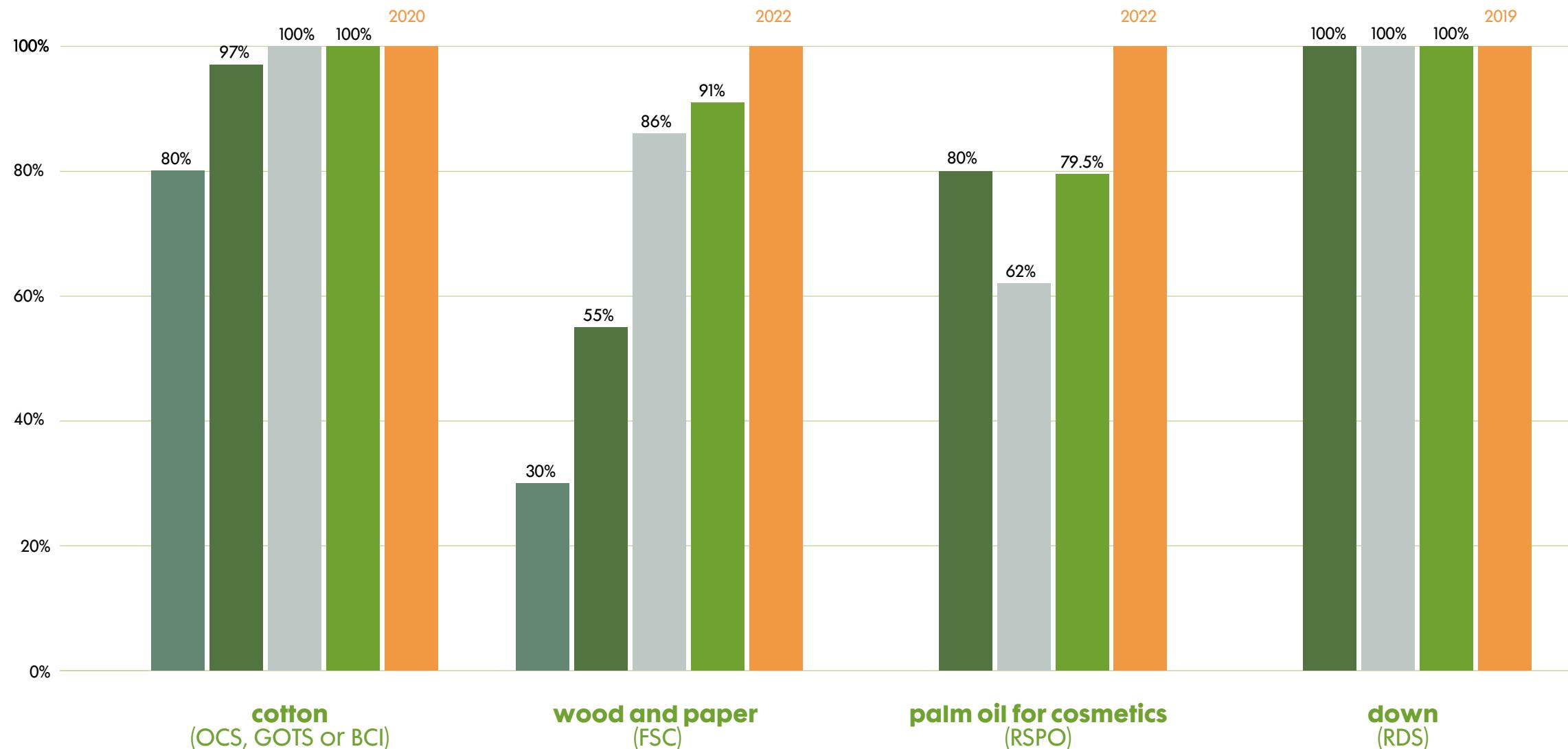
As we increase the sustainability of the raw materials we use, we take responsibility for our role in the supply chain and employ nationally and internationally recognised certification schemes. We focus on plastic, cotton, wood and paper, dairy, meat products, coffee, tea, cocoa and palm oil. These have the greatest impact. For example, all our cocoa is UTZ certified and more than ninety percent of our paper and wood is FSC certified. We show the progress we are making for each product group on the following two pages. We postponed a number of targets for food products, such as sandwich meat products, fish and shellfish and fresh dairy products, from 2021 to 2022 as we will revise our food product range. When new products are introduced, these immediately comply with our sustainability standards.



We design our products ourselves. This makes HEMA unique.

sustainable purchasing developments non-food

2017 2018 2019 2020 target



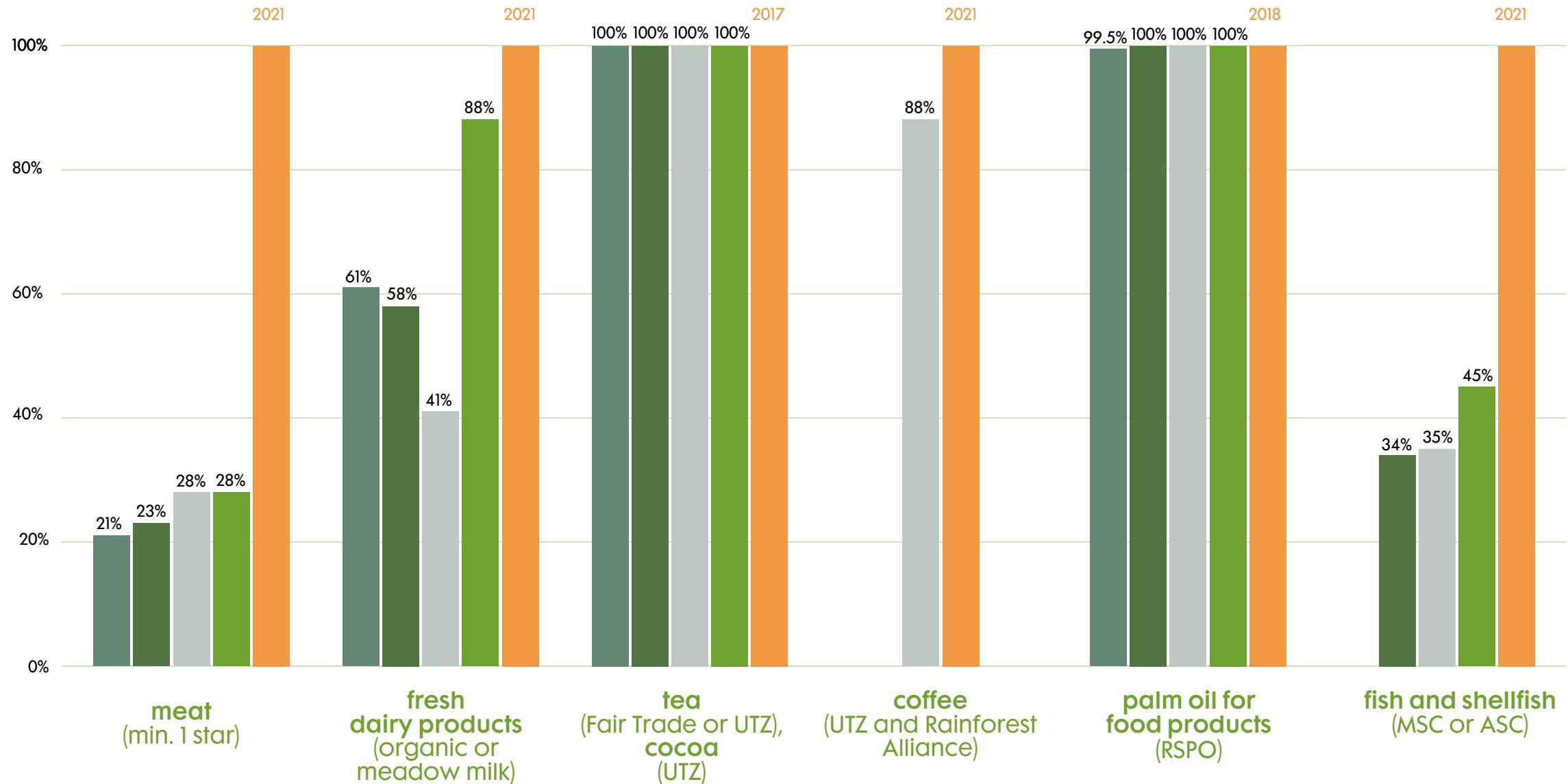
* HEMA employs internationally recognised standards for increasing the sustainability of product groups.

These charts show the progress towards our targets for each product group.

** The scope is retail and food service, excl. our bakeries. The calculation is based on the total number of SKUs.

sustainable purchasing developments food

2017 2018 2019 2020 target



* HEMA employs internationally recognised standards for increasing the sustainability of product groups.

These charts show the progress towards our targets for each product group.

**The scope is retail and food service, excl. our bakeries. The calculation is based on the total number of SKUs. The calculation for coffee has been amended from 2020. We now report based on the total volume.



sustainable textiles

Since 2019, all our cotton for clothing and home textiles has been sustainably sourced. We are proud of this. We employ three standards for this sustainable purchasing: Better Cotton Initiative (BCI), Organic Content Standard (OCS) and the Global Organic Textile Standard (GOTS).

cotton purchasing	2017	2018	2019	2020
BCI	70%	85%	88%	84%
GOTS and OCS	10%	12%	12%	16%
total	80%	97%	100%	100%

* Calculated based on the number of certified products against the total product range.

Better Cotton Initiative (BCI)

BSCI is a partnership between development organisations, environmental organisations and businesses that aim to increase the sustainability of cotton production. BCI promotes environmentally friendly production, a good working environment and fair pay for farmers and their employees. By purchasing cotton through BCI, we contribute to making cotton cultivation more sustainable. In 2020, for example, we reached more than ten thousand cotton farmers and generated 1.9 million euros in extra income for these farmers. This is an increase of more than twenty percent. It is mostly the result of higher yields and more efficient use of water and pesticides etc. It is estimated that in 2020 BCI farmers saved 4.2 million litres of water and avoided the use of 2750 kg of pesticides thanks to purchasing via Better Cotton.

contribution by HEMA	2019	2020
estimated number of cotton farmers reached	► 5500	10,750
estimated additional income for cotton farmers	€1,522,264	€1,900,000*
estimated hectares of land cultivated with Better Cotton	Not included	20,750

* BCI farmers see their profits grow for various reasons, mostly as a result of higher yields and/or optimised use of 'inputs', such as water for irrigation, pesticides or fertilizer.

** All the above data is derived from the BCI calculator.

organic cotton

We apply the standards of the international labels Organic Content Standard (OCS) and Global Organic Textile Standard (GOTS) for the purchase of organic cotton. Both labels aim to increase organic agricultural production. GOTS also sets requirements for the rest of the production process. The product flow of both OCS and GOTS is kept separate throughout the chain and can therefore be traced to the end product.



rPET duvet, pillow and organic covers

HEMA customers sleep responsibly. Our duvets and pillows are filled with recycled material (rPET) and are thus a sustainable alternative to traditional fillings. This reduces our CO₂ footprint. The duvet and pillow covers are also made from 100% certified organic cotton (GOTS).



clean beauty

HEMA aims to lead the way in clean beauty. It is important to us that these products, such as skincare and haircare products, do not contain ingredients that may be harmful to users or nature.



ookworst

Whenever you think of HEMA, you think of our iconic smoked sausage. Since October 2020, we have also offered a vegetarian version, which we have playfully named 'ookworst' ('also sausage' in Dutch). This makes avoiding or eating less meat even easier and more fun. The vegetarian version of the smoked sausage is great with mashed potato. In this way, we make our products accessible to everyone.

shampoo

All our haircare products are made in accordance with our clean beauty guidelines. We have shampoos for various hair types and use only safe ingredients, i.e. no sulphates such as SLS and SLES.* All the shampoos and conditioners we introduced in 2020 are vegan. Our shampoo packaging is made from 100% recycled material (rPET) and the tubes for our conditioner are made from 57% recycled material. We promote the use of recycled packaging materials such as HDPE and bioPE and keep our bottles transparent for recycling.

Last year we also introduced shampoo in tablet form. These shampoo tablets are vegan, use less water and generate less plastic waste than our shampoo bottles.

*SLS and SLES (Sodium Lauryl Sulfate and Sodium Laureth Sulfate) are active substances in cosmetic products. They are used in products such as shampoo and face cleaners.



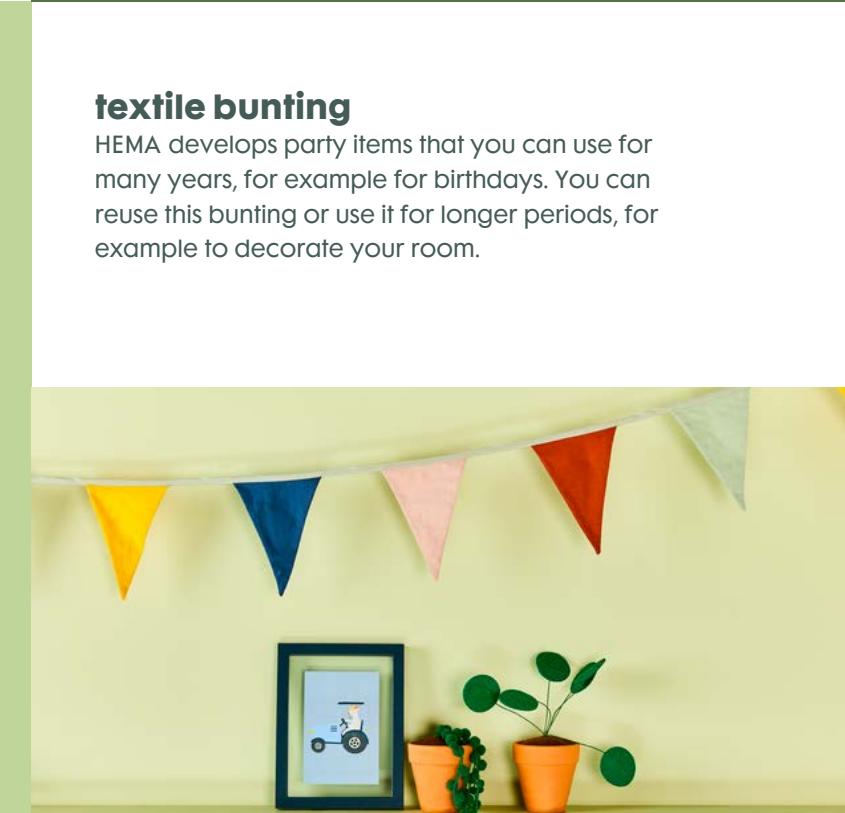
food and drink

We offer a broad range of fresh and packaged food products in our stores in the Netherlands and Belgium, from fresh sandwiches to meat products, snacks and fresh pastry. We aim to introduce healthier and more sustainable alternatives to our range, for example by making vegan or vegetarian options accessible to a broader public.



hardware

HEMA sells hardware. These are products for everyday use, such as home and kitchen items, school and office items, bicycle parts and party and gift items. When designing these products, we also combine a long lifespan with the use of sustainable materials.



textile bunting

HEMA develops party items that you can use for many years, for example for birthdays. You can reuse this bunting or use it for longer periods, for example to decorate your room.



One product with a major impact is the bodysuit. One in three babies in the Netherlands wears a HEMA bodysuit. These are made from sustainable cotton or FSC certified bamboo. The stretch material means the bodysuit fits even better. We also offer a range with a double row of press studs, so the bodysuit fits your child even longer. This is a great way of introducing our new generation to responsible and sustainable purchasing.

a sustainable HEMA design

Every day, our design team thinks about how we can improve our customers' lives. A 'truly' HEMA design is smart, sustainable and most of all fun and optimistic. It must also be accessible to a large group of people.

In the design team, we always take the sustainability perspective: are we working with the right materials and can we design the products so they have a long lifespan? In 2021, we will devote extra attention to circularity: how can we make greater use of recycled materials? This involves working closely with the sustainability department and our suppliers. We also want to focus on "true choice": a range that is inclusive and suits our customers. Examples include the lactose free cream slice and the ookworst. We can do a lot more in this area.

For me, the challenge is to develop products that meet our customers' needs now and that will also be up to date in ten years' time. A great example is a simply designed candlestick that we designed around six years ago, which is still part of our range.

In the past year, our customers' home situation has changed dramatically. For example, as well as a place to eat, the kitchen table has become a workplace and a place where you spend much more time with your family. This offers opportunities for products such as storage boxes. We also see that sustainability is increasingly important to consumers and that they are choosing functional products with a long lifespan.



**Milou
Pikaart**

head of food and
hard goods design
at HEMA

reducing plastic

Plastic is a non-renewable resource and is not naturally degradable. To deal with this responsibly, we developed a three-layered policy in 2019: single-use plastic products, plastic products for long-term use and plastic consumer packaging.

single-use plastic products

Single-use plastic products are disappearing from our range. This is in line with EU legislation to ban single-use plastic products from July 2021. We looked for alternatives in nine product groups and found suitable alternatives for each group. We will introduce these gradually. For example, we now offer paper handout bags instead of plastic bags.

plastic products for long-term use

For reusable plastic products, we use less plastic where possible and more sustainable and recyclable material. We have researched which plastic products for long-term use we can modify. In 2019, we have converted 88 items into recycled or renewable materials. In 2020, we have converted 123 items. In the coming years, we will be working with our partners to use recycled or renewable material for all plastic or polyester products by 2025.

sustainable packaging

Packaging guarantees the safety and quality of our products. In our HEMA design, we consider how packaging can be used smartly and sustainably throughout the supply chain: from consumer packaging (primary) in stores to the cardboard boxes used for delivery to stores (secondary) and transport packaging (tertiary) used in logistics. Since 2018, we have formulated targets based on the principle that less packaging should be used where possible, and as much sustainable and recyclable material should be used as possible. This aligns with the targets in the Plastic Pact, which HEMA has signed.

less packaging material in consumer packaging

By 2025, we aim to use 25% less packaging material in consumer packaging than in 2019. We are examining our use of paper, cardboard, plastic, aluminium and other materials.* We carried out a baseline measurement in 2019. In 2020, we used two percent less packaging material than in 2019. We are examining whether we can use less plastic packaging for seasonal products etc.

We are also looking for ways to ensure products can be used for longer, for example by using refillable packaging. For example, we introduced an eye shadow palette that can be refilled in 2020. This means the palette, which is made from 25% recycled materials, lasts longer.

less plastic in consumer packaging

We aim to use 25% less plastic in our consumer packaging in 2025 than in 2019. In 2019, we reported on the total weight of plastics in our consumer packaging. Since 2020, we have reported on the average reduction in plastic consumer packaging.** In 2020, we used an average of two percent less plastic per purchased product than in 2019.

We can do a great deal more to improve in this area. We are examining how we can reduce the volume of plastic in our packaging or replace it with FSC certified cardboard. This applies to packaging for products such as batteries and shampoo tablets.

recycled or bio-based plastic in plastic consumer packaging

By 2025, we want to ensure that all plastic consumer packaging is made from recycled or bio-based plastic. We continually seek out potential improvements. For example, the packaging for several personal care products has contained recycled or bio-based plastic since 2020.

sustainable packaging targets

- 25% less consumer packaging in 2025 than in 2019
- 25% less plastic in consumer packaging in 2025 than in 2019
- 100% of our plastic consumer packaging will be made of recycled or bio-based plastic by 2025
- 100% of our consumer packaging will be recyclable by 2025





We first set this target in 2019. At that time, we based the measurement on plastic packaging types. In 2020, we amended our measurement method to measure at product level, which gives a clearer picture of where our products come from. This also aligns better with our internal monitoring, which helps consolidate these targets within the organisation. We will report on this in the 2021 sustainability report.

recyclable consumer packaging

We also believe it is important that our consumer packaging is recyclable. HEMA uses tools (Recycle Checks) from the Sustainable Packaging Knowledge Institute (Kennis Instituut Duurzame Verpakkingen, KIDV), which help us determine whether packaging can be recycled effectively. In 2020, 54% of our paper, cardboard and plastic packaging was recyclable.* In 2019, the total was 47%. Our ambition is that all our consumer packaging should be recyclable by 2025. We continuously seek out ways to replace non-recyclable plastic with recyclable plastic, paper or cardboard.

* This excludes beer and wine packaging.

** This excludes food products.

working together on sustainable packaging

We have prepared a packaging manual for our employees. This contains examples of how HEMA makes sustainable choices at all three levels. For example, we advise making water bottles from rPET or bioPET (and in future PEF) and that bottles should be kept as transparent as possible for recycling. We also make our transport packaging as small as possible, for example by folding clothing. In this way, we are taking steps to make the entire supply chain more efficient and sustainable.

sustainable options for customers

We also offer sustainable packaging options in our HEMA stores. For example, some of our bags are made from recycled materials. In 2021, we will replace our current bags with alternatives made from recycled materials (paper, PET and cardboard) and invite customers to reuse them.

pillar 2

how our products are made

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manufacturing under good labour conditions

At HEMA, making a positive impact on people and the environment in our supply chain is very important. We want to ensure that our products are made under good working conditions and with respect for the environment. We work continuously to increase our knowledge of the supply chain, to steadily improve working conditions and the effect our products have on the environment.

Depending on the materials, production processes, countries and regions, we set priorities and assess where we can exert the greatest positive influence on working conditions and lower our environmental impact. As cooperation is crucial to achieving this, we are in continuous contact with our suppliers and other supply chain partners.





HEMA works continuously to carefully map the potential risks to human rights, the environment and animal welfare in the supply chain.

supply chain responsibility

HEMA takes responsibility for our role in the supply chain. HEMA works continuously to carefully map the potential risks to human rights, the environment and animal welfare in the supply chain. We take account of signals from relevant stakeholders, such as trade unions, social organisations and other supply chain partners. This 'due diligence' process serves as the foundation for our code of conduct for all suppliers and partners. Our social guidelines are based on ILO conventions and OECD guidelines, the Universal Declaration of Human Rights, the Convention on the Rights of the Child and the Convention on the Elimination of All Forms of Discrimination Against Women.

By subjecting our suppliers to audits, we monitor compliance with our code of conduct. This means we know the conditions under which our products are made. As well as assessing working conditions, we also employ certification for sustainable materials and monitor environmental and animal welfare standards. We also investigate whether the supplier carries out all production processes required to make the HEMA product in-house. This ensures that we can also monitor

the production processes at subcontractors (if applicable), which must also comply with our code of conduct. In this way, we work with our suppliers to improve the environmental and working conditions at our subcontractors.

You can read the code of conduct here:
www.hema.net/about.

transparency of production locations and suppliers

Transparency and traceability are an essential part of our supply chain responsibility. We are monitoring the production processes in the factories where HEMA products are manufactured – our 'tier 1' suppliers – for many years. In 2020, we took further steps towards improving our monitoring of our suppliers of materials and accessories – our 'tier 2' suppliers. Our target is to work towards a fully transparent 'tier 2' for all clothing, textile and hardware supply chains. We also aim to be able to look even further back in the supply chain and understand the products and processes of the suppliers of raw materials (our 'tier 3' suppliers). Mapping the supply chain at such depths continues to be a challenge.

With more than 32,000 products, we have many different production chains. This demands effective cooperation with our suppliers.

At HEMA, we believe it is important to be transparent towards all the external organisations we work with. This allows us to tackle potential problems in the supply chain together. We strongly believe in working together with other partners in the sector, which starts with openness. As such, we signed the Transparency Pledge in 2019 and published a list of factories that manufacture for HEMA (tier 1). This allows our customers and other stakeholders to be better informed about the origin of our products. We aim to expand this list for all clothing, textile and hardware supply chains (tier 2).

You can find the most recent list here:
www.sustainability.hema.com/production-location/





**Sean
Thistleton**

global procurement
director at HEMA

focus on long-term relationships with suppliers

I have worked as the global procurement director at HEMA for three years. I was born in South Africa and feel completely at home at HEMA. HEMA has a strong value system, which is based around sustainability. These values are tangible in the office, on the shop floor and in our relationships with our suppliers.

HEMA focuses on long-term trading relationships. We aim to work with partners that understand HEMA and the importance of ensuring our products are sustainable. Due to COVID-19, 2020 was a challenging year for HEMA and our supply chain partners. The relationship with our suppliers proved to be very resilient. Following the first and second lockdowns, we had intensive contact and continuously sought out common solutions when amending orders. For example, we had contact with a supplier of long-sleeved T-shirts. We don't sell those in the summer! Together with our supplier, we found a solution: by adapting the design, we could prevent waste. This also shows how short the lines of communication are between purchasing and product design.

The end of the COVID-19 pandemic is not yet in sight. However, every day we continue to prioritise our HEMA standards, with attention for the quality and sustainability of our products. This can also be seen in the transport packaging of our HEMA products. We aim to have all of our transport packaging made from recycled material or is made from material from sustainable FSC certified forests. This is a huge step. While this is not visible to consumers, it shows how committed we are to our sustainability targets.



Our shipping boxes are not only practical they are also made as much as possible from material from sustainable FSC certified forests. We look closely at the content of the orders, to be able to package orders as efficiently as possible. In this way we do not use unnecessarily large boxes for packing and shipping.



working conditions at manufacturers' facilities

At HEMA, we carry out our own MRQ inspections. These 'minimum requirement audits' help us understand working conditions based on seven criteria:

1. supply chain transparency
2. preventing child labour
3. no forced labour
4. safe and healthy working environment
5. real and accurate recording of wages and working hours
6. facilities for employees
7. preventing pollution

Before placing an order with manufacturers in high-risk countries, we first carry out an MRQ audit. If this indicates that improvements are required, we work with the supplier to prepare a concrete improvement plan with deadlines. In 2020, all new manufacturers in high-risk countries were subjected to an audit. We carried out 97 audits in factories where textiles and hard goods are made for HEMA. There were fewer audits than in 2019 (252) due to COVID-19-related travel restrictions. There were also fewer new locations. Of all the factories with an improvement plan in 2020, 79% were completed successfully and 21% were still being implemented. We

expect these to be completed in 2021. The improvement plans primarily concerned steps related to safety, pollution and accident insurance for employees. If the auditor encounters conditions that deviate too far from our code of conduct and standards, we do not prepare an improvement plan and terminate the partnership. This was the case for two percent of our audits in 2020. Within a year of our own audit, Amfori carries out an audit of the supplier based on the guidelines of the Business Social Compliance Initiative (BSCI). BSCI is an initiative set up by companies that wish to improve working conditions and environmental standards worldwide by carrying out independent audits at production locations. BSCI takes account of additional aspects such as discrimination, freedom of association and collective bargaining. These aspects are also covered by our code of conduct.

We increased our focus on BSCI in 2020. A total of 401 audits were carried out at HEMA production locations. For BSCI audits, we also prepare an improvement plan with the supplier if necessary. If multiple BSCI members manufacture at the same production location, one company takes responsibility for the audit and preparing an improvement plan. In this way, we work together with other companies to improve the supply chain.

audits	2019	2020
total audits carried out	557	518
MRQ audits	252	97
• number of improvements implemented	159	68
BSCI audits	191	401
Bangladesh Accord inspections	114	20

To improve working conditions in Bangladesh, HEMA is affiliated with the Bangladesh Transition Accord. Due to the COVID-19 restrictions, twenty inspections were carried out in accordance with the guidelines of the Accord in 2020. These focused on aspects such as mapping the progress towards complying with the guidelines of the Accord in respect of fire safety, construction and electricity. At our factories, 96% of these improvement points were successfully implemented in 2020. This means we are ahead of the average progress rate of 92% for the Bangladesh Transition Accord.



high-impact projects in the supply chain

Audits are an effective way of mapping working conditions and improving them where necessary. However, they are only snapshots, and do not provide the same level of information about all subjects. As such, we also use other ways of monitoring and improving our supply chain.

India: supporting employee committees – in partnership with SAVE

Numerous NGOs have identified a heightened risk of discrimination in the clothing and textile industry in India. HEMA believes it is important that the voice of employees is heard and that they have the opportunity to engage with employers about better working conditions. As such, HEMA works with Social Awareness and Voluntary Education (SAVE), a local NGO that focuses on human rights by working to support internal employee committees in factories. In 2020, 1715 employees attended 48 training courses provided in partnership with SAVE. This helps suppliers to resolve problems internally and independently. In 2021, we will continue our partnership with SAVE and expand it to other factories in India.

China: chemical use in dyeing plants – in partnership with Arcadis

In China, we have set up a project together with local partners that aims to improve chemical use in textile dyehouses and reduce water pollution. In 2019, a factory in Ningbo took part in a programme set up by our partner Arcadis to promote responsible chemical use. This led to proposals to clean up the production process. Arcadis is a Dutch consultancy and engineering firm with local offices in countries including China. The company aims to improve the quality of the living environment. Since 2020, the factory has worked on the areas for improvement. For example, there is a new procedure for safer working with less harmful chemicals, training courses were provided and a new system has been installed to capture emissions. In 2021, HEMA will continue to promote more environmentally friendly production.

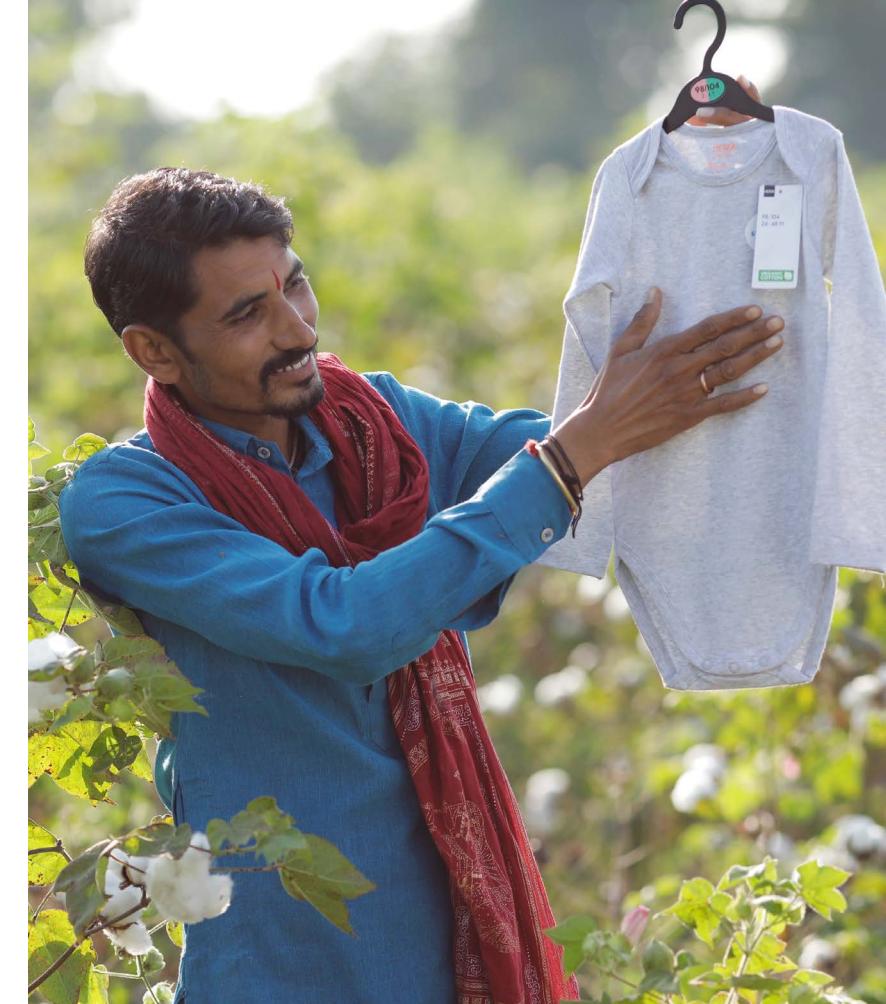
India: implementation of effective complaints mechanism – in partnership with the Fair Wear Foundation

HEMA started a partnership with the Fair Wear Foundation in 2020. This is an independent non-profit organisation that strives to improve working conditions. They have an effective complaints system, which we will use for all our clothing and textile factories in India. This will start in 2021. We may extend it to other countries in the future.

how does the system work?

If employees believe their rights have been violated, or if others see this happening, they can submit a complaint to a complaints officer who speaks the local language. This lowers the barrier to taking action. HEMA is subsequently informed and starts an investigation. If this independent investigation by the Fair Wear Foundation establishes that the complaint is justified, HEMA works with the factory to resolve the problem. The factory management and employee representatives are involved in investigating the cause of the complaint. It is resolved and all stakeholders commit to ensuring it will not happen again. The anonymity of the submitter of the complaint is protected. This also lowers the barrier to taking action and establishes trust. All complaints and the remediation progress are published transparently on the Fair Wear Foundation website. This approach gives HEMA a better insight of conditions at our supply chain partners, and allows HEMA to take immediate action where required.

Complaints may also reach us via the IMVO (International Corporate Social Responsibility) Agreement, the Bangladesh Transition Accord and BSCI.



HEMA began a partnership with the Fair Wear Foundation in 2020. This is an independent non-profit organisation that strives to improve working conditions.

pillar 3 our role in society

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positive impact on the local environment

HEMA is at the heart of society. We aim to satisfy our customers with appealing products, good service and a positive impact on the communities where our stores are located.



United, both ourselves and the customer

The energy and agility at HEMA really appeal to me. Together we can make a difference, even during the current COVID-19 pandemic, which is quite a challenge. I am really impressed by how we are doing our utmost to optimise shopper service. Our greatest challenge is planning. We must respond rapidly if the government announces new restrictions and consider carefully how to deal with our stock levels or shelves that are empty due to amended orders. There is also a positive side to all this. For example, we have been able to make many local donations to organisations including the Salvation Army, food banks and hospitals. This prevents food waste and people really appreciate it.

Our store staff have had to work extra hard and adapt a great deal in these times. Together, we do all we can to offer consumers the best possible shopping experience. For me, it is important that our employees receive the appreciation and attention they deserve, and that we motivate and inspire them to continue developing.

My favourite product?

This is definitely the folding letter crate, a combination of a letter board and a folding crate. This stylish crate, made in Europe from 100% recycled plastic, is practical, versatile in use and innovative. It can also be personalised with letters and is available in several colours. There's one to suit everyone, and it's great as a personalised gift!

Michael van Gool

branch manager and member of the Our Customer First workgroup at HEMA



safe shopping during COVID-19

During the COVID-19 pandemic, we have closely followed the restrictions and worked hard to serve our customers as well as possible. Email became an important channel to stay in touch with customers about the current situation and what we could do for them. For example, we use it to inform them about shopping options such as call and order at local HEMA branches, click and collect via the HEMA website and shopping (by appointment) in a store of their choice. The safety of our customers and employees always comes first. While it is sometimes quite a challenge to keep this running smoothly, we always follow the government guidelines. We look forward to welcoming all our customers online and in our stores.

our customer first

At HEMA, the customer always comes first. We aim to offer customers a pleasant (online) shopping experience and an adequate product range. Due to COVID-19, customers are shopping online much more than before. We also continue to improve the service we offer in stores. The 'Our Customer First' workgroup, which involves several branch managers, considers the options for further improvement of customer focus and customer friendliness. For example, we investigate how we can offer an attractive experience in store and which shelf layout and products are most appropriate.

We also listen carefully to our customers' questions. This is reflected in the online product reviews. The number of online product reviews increased by a factor of ten

during the past year, from 60,000 to 600,000. The number of three and four star reviews, which represented 73% of the total in 2019, rose to no less than 86% in 2020. We are proud of this. We aim to continue this improvement in 2021.

employee satisfaction

We can only make an impact with the help of all HEMA employees. It is important to us that they really feel valued, heard and involved. This is why we carry out an employee satisfaction survey several times each year. This proceeded slightly differently in 2020 due to COVID-19. We carried out a survey in February and October 2020. We asked all HEMA employees how they experience working, what they appreciate and what they think can be done better. We repeated the survey in early January (2021). The results were shared internally. Together with their teams, managers prepared action plans to improve the working experience. We also sent out short surveys in April, May and June to gauge how our employees were doing and to ask what they needed during the COVID-19 pandemic. The employees indicated that they were doing well (average score 8 out of 10) and that they were very satisfied with the COVID-19-related communication (average score 8+ out of 10). They could also provide advice, which were immediately followed up.

In 2020, the new employee magazine 'Echt' was published. There were many positive responses and the magazine helped increase employee engagement. 'Echt Live', a monthly live stream with the latest news and developments, was also launched in early 2021. It has received very positive responses.

The number of online product reviews increased by a factor of ten during the past year, from 60,000 to 600,000.



As an employer, HEMA is also at the heart of society. We aim to be a good employer and to make our employees' lives better, more fun and easier. We offer a safe and pleasant working environment where everyone can realise their full potential.

diversity

HEMA is for everyone. We believe in diversity and inclusivity and consider it important that they are part of all our business units. This is why we signed the Diversity Charter statement of intent in January 2021. We aim to increase employee awareness of diversity and inclusivity in 2021 from a score of 7.8 out of 10 (measured in early 2021) to 8.2 out of 10 (measured at the end of 2022).^{*} We have three sub-targets in this area:

- Cultural/ethnic background: increasing diversity in store management and the support office by at least 25% within three years of the end of 2020.
- LGBTI+: annually we do at least four internal engagement activities to increase understanding of this community within HEMA.
- Generational management: we investigate the options for improving diversity in the age composition of our employee base in our stores in 2021.

We expect that this target will help all our employees to feel at home at HEMA.

* We track employee awareness with regard to diversity and inclusion through our employee satisfaction surveys in the Netherlands. In 2021 we will look at how we will measure this in other countries.

coaching and training

It is important to us that our employees continue to develop and take control of their careers. As such, in 2020, we launched various initiatives to promote and facilitate long term employability at HEMA. We also added new training courses to our online learning platform. In 2020 we also worked on the launch of a new methodology for performance management which has a three-step approach: forward looking, short-cyclic follow-up and continuous development. This will go live in 2021.

Among other measures, we promote leadership skills for managers by offering individual coaching and a five-day training course to enhance their coaching leadership skills. Teams also learn the best way to provide feedback and the importance of not avoiding the 'real discussion'. Employees can also develop individually, for example via online training courses from GoodHabit and additional courses designed to promote long term employability. In 2020, 1890 HEMA employees used GoodHabit.

parental leave

Since 1 August 2020, employees with a new baby in the family as a result of for instance adoption or surrogacy, have been able to take special parental leave. They are given four extra weeks of leave beyond the standard existing (adoption) leave of six weeks. This applies to LGBTI+ families welcoming a child into the family for example. In this way, we want to help ensure that these children and their parents have sufficient time to bond.

HEMA Foundation

HEMA is committed to promote an inclusive society in which everyone matters. The HEMA Foundation is an excellent example of this. The Foundation helps young designers developing their social design skills. This discipline focuses on creative design solutions to social issues. By making social design more accessible to a broad public, we contribute to solutions to complex social challenges such as promoting inclusivity and tackling loneliness and social exclusion.

In our social design accelerator twenty designers devised ways of improving the language skills of children up to four years of age. They developed tools and programmes to help them learn to use and understand language better. This helps young children and their families. In late November 2019, the designers presented their ideas to potential partners and investors. The design teams elaborated their ideas in 2020. The same applies to

'Buikpraat' ('Belly talk'), a programme that promotes bonding between parents and their children from pregnancy up to the baby's second year of life. This is because the foundation for (language) development, health and happiness is laid during this period. 'Buikpraat' will be tested on a larger scale in 2021.





Matthijs Foppele

CRM marketer en chair of the Workplace Pride workgroup at HEMA



Workplace Pride

Since our founding, HEMA has been at the heart of society. We offer something different every time, often tongue-in-cheek. Thanks to its positive associations, the HEMA brand makes it possible to discuss numerous topics of relevance in society. That makes me proud of the company.

Diversity and inclusivity are two important topics for HEMA. We believe it is important to promote these internally. More than ten employees from all levels of the organisation collectively constitute the Workplace Pride workgroup, which works on LGBTI+-related topics. We support colleagues, discuss ideas and actions for the Pride period, inform the management about signals from within the organisation and contribute ideas for new HEMA products. I see the product photos for our mattresses as a great example. By showing different people and combinations, we show how beautiful an inclusive society is.

On 11 December 2020, 'Purple Friday', our first action was to raise the rainbow flag at our distribution centre, support office and bakeries. This led to many positive responses. At least four (internal) actions will follow in 2021 to increase the LGBTI+ community at HEMA.

A HEMA product that still makes me proud is the Pride T-shirt from last year. As a major brand, we can help promote discussion of inclusivity in society. Part of the proceeds of the sales of the T-shirt also go to COC Netherlands, an organisation that campaigns for the interests of lesbians, gays, bisexuals, trans and intersex people (LGBTI+).



about this report

follow HEMA

If you would like to learn more about HEMA and sustainability, visit www.hema.com or follow one of our social media channels



HEMA wants to make sustainability accessible and understandable to a wide audience. We hope that this report contributes to this. If you have a question or remark, please contact us via sustainability@hema.nl. Need more info? Then click on www.sustainability.hema.com.

This report relates to the period from 1 January 2020 to 31 December 2020. During this period, HEMA BV was part of Ramphastos Investments. Unless otherwise indicated, the results relate to the national and international activities of HEMA within the company's own organisation. The scope and demarcation of the content are based on the material subjects and on the information requirements of the stakeholders. This report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines and complies with the GRI Core Standards level.

The GRI table, the stakeholder annex and this report can be found at www.sustainability.hema.com. This report has not been externally verified. We are currently focusing on implementing policy and achieving results. External verification will follow in the future.

Relevant departments have been consulted for the collection of data, whose quality has been monitored by the sustainability department. A number of measurement methods were amended in 2020. We have stated these in the report. The results for 2019 can be read in the 2019 Sustainability Report (www.sustainability.hema.com), published on 25 July 2020.

The HEMA BV annual report can be found at www.hema.net/investors. The contribution made by HEMA to the HEMA Foundation is included in the HEMA BV annual financial report. From July 2021, you can find the 2020 annual report and annual accounts of the HEMA Foundation at www.hema-foundation.org.

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HEMA