

packaging and non-commercial goods. Read more about how we define these terms in our Sustainability Disclosure at [hmgroup.com/sustainability/sustainability-reporting](https://hmgroup.com/sustainability/sustainability-reporting).

These two focus areas are closely connected. Our work to improve material sourcing and shift to more circular business models supports our climate, water & oceans, and biodiversity & land goals.

Net zero, as defined by the Science Based Targets initiative (SBTi), focuses on reducing emissions as far as possible before removing emissions that cannot be avoided. By aiming for net zero we focus on reducing our absolute climate impact, supported by our public affairs work and collaboration to effect wider climate progress.

Learn more in our Sustainability Disclosure at [hmgroup.com/sustainability/sustainability-reporting](https://hmgroup.com/sustainability/sustainability-reporting). For more details on related policies and standards, visit [hmgroup.com](https://hmgroup.com).

Performance

The Environmental impact KPIs table on page 83 features indicators selected to offer an overview of our performance. Here, we share additional details:

- We continued to work towards net-zero emissions across our value chain:
  - Our absolute scope 1 and 2 GHG emissions decreased by 24 percent compared to our 2019 baseline. Compared to last year, this is a decrease of 9,794 tonnes CO<sub>2</sub>e — primarily due to a relative increase in our procurement of renewable energy certificates following closure of our operations in Russia.
  - Our absolute scope 3 GHG emissions (excluding use-phase emissions) decreased by 22 percent compared to our 2019 baseline. Compared to last year, this is a decrease of 625 kilotonnes. This positive trend is primarily attributed to our ongoing efforts, including investments in recycled and sustainably sourced materials for garments and packaging, energy efficiency improvements and a shift to cleaner energy sources in our supply chain as well as decreased stock-in-trade. While emissions are still linked to resource use, the development of these emission per revenue is also positive, with a 23 percent decrease in tonnes of CO<sub>2</sub>e/SEK million compared to 2019, and 13 percent decrease compared to 2022. Read more about changes to our scope 1, 2 and 3 emissions reporting at [hmgroup.com/sustainability/sustainability-reporting/how-we-report/](https://hmgroup.com/sustainability/sustainability-reporting/how-we-report/).
  - We achieved a 29 percent reduction in electricity intensity in our stores (per square metre and opening hour) from our 2016 baseline, exceeding our goal of 25 percent by 2030. We are pleased to have met this ambitious goal seven years early, and we are working to

establish new targets, prioritising energy efficiency as a core element of our operational strategy.

- 94 percent of electricity purchased for our operations was renewable (92 percent in 2022), including 10 percent from power purchase agreements with new renewable electricity generation, which supply us with long-term renewable energy at a fixed price and increase the amount of renewable electricity on electrical grids.
- The number of supplier factories reporting the use of on-site coal boilers saw a notable decline to 67 in 2023 (compared to 117 in 2022, and 105<sup>1</sup> in 2021). This decrease is a result of our continued efforts in phasing out on-site coal, changes in our supplier base, local policy, and H&M Group pushing for increased electrification of steam production.
- Alongside the ongoing energy audits and technical support given to already enrolled supplier units, 57 new facilities were included in the energy efficiency programme during 2023. Within this programme, our energy efficiency experts have identified possible improvements that could lead to around 200,000 tonnes CO<sub>2</sub>e of annual reductions.
- Together with Southeast Asia’s largest bank, DBS, we initiated our Collaborative Financing Tool — a first-of-its-kind green loan programme that facilitates supply chain decarbonisation in the fashion sector.
- Our total spend on recycled and sustainably sourced materials and decarbonisation (e.g. energy efficiency investments in our stores and supporting our suppliers to phase out coal), was approximately SEK 2.1 billion.<sup>2</sup>
- We signed a letter of intent for a co-investment in the first early-development offshore wind project in Bangladesh through the Global Fashion Agenda. The project, developed by Copenhagen Infrastructure Partners (CIP), is expected to contribute to substantial job creation, stabilise energy supply, and reduce emissions by approximately 725,000 tonnes annually.

- We developed our climate transition plan, detailing our ambitions to transform our value chain to reach our climate targets, and published it together with our Sustainability Disclosure.

1) The number reported has increased compared to what was stated in the 2022 report due to increased traceability — capturing data for facilities not previously included. The current dataset covers all tier 1 and tier 2 suppliers, meaning we do not expect to see additional variations in this going forward.  
2) For more information see [note 1](#) to the financial statements, Accounting principles.

ENVIRONMENTAL IMPACT KPIS

KPI	2023	2022	2021	2020	TARGET OR GOAL	
<b>Climate:</b> % absolute reduction (scope 1 and 2) in GHG emissions compared with 2019 baseline* 1, 2, 3, 4	-24	-10	-22	+12	-56% by 2030	
<b>Climate:</b> % absolute reduction (scope 3) in GHG emissions compared with 2019 baseline* 1, 2, 3, 4	-22	-15	-10	-12	-56% by 2030	
<b>Climate:</b> % renewable electricity in our own operations*	94	92	95	90	100% by 2030	
<b>Water:</b> % absolute reduction of freshwater consumption against a 2022 baseline <sup>4</sup>	-14	Baseline year	-	-	-30% by 2030	
<b>Water:</b> % facilities with direct discharge that meet prioritised ZDHC Conventional Parameters — Foundational Level	93	Baseline year: 74	-	-	100% by 2025	
<b>Chemicals:</b> % Manufacturing Restricted Substances List compliance for chemical inputs <sup>5</sup>	97	97	95	88	100%	
<b>Commercial goods:</b> % of recycled or sustainably sourced materials* 6	Total	85	84	80	100% by 2030	
	Sustainably sourced	60	61	62	59	Monitor
	Recycled	25	23	18	6	50% by 2030
<b>Packaging:</b> % of recycled or sustainably sourced materials used <sup>7</sup>	79	71	-	-	100% by 2030	
<b>Packaging:</b> % change in overall plastic packaging volume compared to 2018 baseline <sup>7</sup>	-55	-40	-	-	25% by 2025	

\* Partially reviewed by the company’s auditors through a limited assurance process. The limited assurance process included: emissions from our own operations (scope 1 and 2) and emissions from transportation, raw materials, garment manufacturing and fabric production (scope 3); energy use and energy efficiency in stores; commercial goods shell fabric materials including all cotton and synthetics data, our top three recycled materials (cotton, polyester, polyamide), Responsible Wool Standard (RWS) compliant wool, Good Cashmere Standard (GCS) compliant cashmere, and Responsible Mohair Standard (RMS) compliant mohair.  
1) In 2023, we updated our emissions calculations, including historic data — read more about our data and calculation methods in our Sustainability Disclosure at [hmgroup.com/sustainability/sustainability-reporting](https://hmgroup.com/sustainability/sustainability-reporting).  
2) Our GHG emissions accounting and reporting are aligned with the GHG Protocol. Scope 2 emissions under the market-based approach are equal to 38,451 tonnes CO<sub>2</sub>e. Under the location-based approach (using grid average emission factors), scope 2 emissions were 377,307 tonnes. GHG emissions include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>).  
3) Scope 1 emissions are all direct emissions from our own operations; scope 2 represents indirect GHG emissions from consumption of purchased electricity, heat or steam used in our own operations; scope 3 includes other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by us, electricity-related activities not covered in scope 2, outsourced activities, and waste disposal. Scope 1 and 2 limitations and comments: only stores open for the full quarter are included; electricity consumption for HVAC operated by landlord not included; electricity consumption includes both actual data and estimates, where estimates are made if actual data are not received within the reporting deadline. Read more about Scope 3 limitations and comments at <https://hmgroup.com/sustainability/sustainability-reporting/how-we-report/>.  
4) New KPI added in 2022.  
5) Compliance tracked using the third-party tools BVE3, CleanChain and Bhive.  
6) This includes commercial goods shell fabric materials, hence does not include materials used as filling, lining or trims on garments. Not all sustainably sourced materials can be naturally grown or cultivated, i.e. minerals or stones. In these instances, we set up material-specific requirements to secure sustainable sourcing. Read about how we define “sustainably sourced” for different raw materials at <https://hmgroup.com/sustainability/circularity-and-climate/materials/>.  
7) Historic comparable packaging data is available from 2022, due to a change in our data scope— previously some packaging within our value chain was unreported. We have updated 2022 figures accordingly.

- We are one of 17 companies piloting the Science Based Targets Network (SBTN) method including the target validation process for land and freshwater.
- We were one of the first signatories to the Deforestation-Free Call to Action for Leather.
- We are investing in a range of three-to-five-year collaborative projects with expert partners in South Africa, where most of our wool is produced, and in India, where most of our cotton is grown — to help farmers transition to regenerative practices.
- In absolute terms, we have reduced our freshwater consumption by 14 percent compared to 2022, against our goal of a 10 percent reduction by 2025. Freshwater share in H&M Group’s supply chain reduced to 84 percent compared to 87 percent in 2022.
- 93 percent of supplier facilities have direct discharge that meets prioritised Zero Discharge of Hazardous Chemicals (ZDHC) parameters — Foundational Level.
- Our water efficiency benchmark is now integrated into our supplier performance system. We are looking to make this