

# H&M Group

Sustainability Disclosure 2023



# About this report

We are committed to transparent, clear and accessible reporting of our sustainability strategies and performance. We openly share our progress using the best available data, while continually enhancing our level of disclosure and increasingly merging our financial and sustainability reporting. Our goal is to meet and exceed the expectations of our wide-ranging stakeholders alongside aligning with external reporting standards.

We welcome the standardisation of sustainability reporting, for example through the EU Corporate Sustainability Reporting Directive (CSRD), which requires companies to report according to the [European Sustainability Reporting Standards \(ESRS\)](#).

Our reporting consists of several parts:

- Our [Annual and Sustainability Report](#) details our financial and non-financial performance in 2023, including information on our **sustainability** impacts and progress. As we prepare to comply with the CSRD, we are integrating more sustainability content into our [Annual and Sustainability Report](#), and strengthening our materiality assessment process.
- A dedicated section of our corporate [website](#) provides additional information on key sustainability topics, including our strategies and policies.
- **External reporting frameworks**, such as the Global Reporting Initiative and UN Guiding Principles [indexes](#), can be found on our website. Our Task Force on Climate-related Financial Disclosures reporting is part of our [Annual and Sustainability Report](#).
- An annually updated overview of our identified **Salient Human Rights Issues** is complemented

by a deeper [Modern Slavery Statement](#), which outlines our approach to human rights and due diligence in our business operations and supply chain.

- This **Sustainability Disclosure** complements the Annual and Sustainability Report by offering further information on our sustainability strategy, policies, processes, goals, and performance data in the context of our long-term ambitions. We share the key activities that support progress towards these ambitions, alongside our learnings and plans.

This report covers the financial year from 1 December 2022 to 30 November 2023. Read more about the scope of this report on [page 85](#).

## H&M Foundation

The H&M Foundation is a global non-profit foundation dedicated to finding, funding and accelerating solutions for a [socially inclusive](#) and [planet positive](#) textile industry. The Foundation is privately funded by the Stefan Persson family — founders and main owners of the H&M Group.

Since 2013, the family has donated more than SEK 1.7 billion to the Foundation.

Learn more at [hmfoundation.com](#) and read about some of the Foundation's activities throughout this report.



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# Looking back at 2023

Before summing up 2023 I would like to start by saying that after four intensive years as CEO of H&M Group, I decided to step down from my role as CEO at the end of January 2024. Following my decision the board of directors appointed Daniel Ervér as the group's new CEO. I hand over to Daniel feeling confident that, along with all our colleagues, he will ensure that the company will continue to take steps toward our goals and develop H&M Group's brands and business models. With strong leadership and a broad understanding of the business, Daniel is a good role model for our values and our ability to create customer value.



We offer fashion that makes it possible for everyone to express their personal style, since our business concept is to offer the best combination of fashion, quality, price and sustainability.

Our investments in innovation mean we are taking important steps on our journey towards circularity. We are continually working to develop our business model in order to add profitable growth while at the same time reducing our energy consumption, increasing the percentage of renewable energy and reducing our climate footprint, so that we can contribute to a more sustainable fashion industry. For example, we continued to increase the percentage of recycled or sustainably sourced materials in the collections, reaching a level of 85 percent in 2023. Our goal is for 100 percent of our materials to be made from recycled or sustainably sourced materials by 2030.

Our sustainability initiatives also provide the group with long-term business opportunities. By building strategic partnerships with important actors and creating growth through various innovative methods, such as circular business models, we can continue to give our customers unbeatable value and enable them to have a more sustainable lifestyle.

In addition to our investments, we provide financial support to projects that contribute to reducing greenhouse gas emissions throughout the value chain. Our climate goals are set high and results show that we reduced greenhouse gas emissions by 22 percent in 2023. This takes us even closer to our science-based targets that include a 56 percent reduction<sup>1</sup> in greenhouse gas emissions by 2030 — being among the most ambitious in our industry.

<sup>1)</sup> Refers to science-based targets for own operations (scope 1 & 2) and for the company's entire value chain (scope 3) and excludes the use of sold products. The baseline is 2019.

For the twelfth year in a row H&M Group has been included in the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index. H&M Group scored best-in-class in several areas including human rights, climate strategy, greenhouse gas emissions and materiality analysis.

I am very proud of what we have achieved together and I am deeply impressed by the strong passion, teamwork and entrepreneurial spirit shown by all our colleagues. I would like to thank all our colleagues throughout H&M Group for fantastic commitment over the past year. Our strong culture with our shared values has been an important factor in our ability to drive improvements within the business.

Despite the uncertainties in the world around us, H&M Group stands strong with a robust financial position, strong cash flow and improved profitability. With a continued customer focus, committed colleagues and an increased pace of investment we see good conditions for continued profitable and sustainable growth in 2024.

*Helena* *Helena*

**Helena Helmersson, CEO up to 31 January 2024**



It is truly impressive what we have achieved so far. I am looking forward to bring sustainability even closer into the core of our business model together with all of our colleagues and partners. Our industry needs to change and accelerating and scaling our actions will be key to lead the way.

**Daniel Ervér, CEO since 31 January 2024**

# A message from our Head of Sustainability

What a transformative year we have experienced. Against a backdrop of ongoing global change and uncertainty, we have intensified our focus on finding effective and scalable solutions to the complex challenges facing our industry and world.

We continue to shift gears as we work towards achieving our 2030 sustainability goals and aligning ourselves with upcoming legislation. Keeping collaboration at heart, I have been constantly inspired by all the conversations we have had this past year with our partners, peers, and change makers throughout different forums.

The mood of these conversations has been one of both urgency and expectation: expectation to turn ambition into action. The fashion industry, innovators, policymakers, and other partners must truly work together to turn words into results, and this has been our focus for 2023. We have been taking concrete actions backed with science-based targets to make progress across our impact areas, starting with investments to address climate impact.

An example of this is H&M Group's Green Fashion Initiative, which is driving the agenda of collaborative financing solutions towards impactful climate action. To realise this ambition, together with DBS, Southeast Asia's largest bank, we have initiated a first-of-its-kind Collaborative Financing Tool that facilitates supply chain decarbonisation in the apparel sector. Another game-changing collaborative initiative, led by Global Fashion Agenda, is our plan for co-investment in a large-scale wind farm in Bangladesh — helping to enable the transformation of the country's renewable energy market. This year, we reached a 22 percent reduction in our scope 3 emissions from our 2019 baseline, excluding direct use-phase emissions, putting us on track for our 2030 goal of 56 percent.

Our impact on the planet goes beyond reducing emissions. We are one of 17 companies piloting the Science Based Targets Network validation process for science-based targets for nature. We are investing in partnership projects to accelerate the transition to regenerative agriculture for key materials such as cotton and wool. And we have reached a 14 percent reduction in freshwater consumption from our 2022 baseline, achieving our 2025 target of 10 percent two years early.

We are committed to placing people at the centre of the transition to a more sustainable fashion industry, and we continue to work with our suppliers on social dialogue, gender equity and wages. We have been gathering more evidence on how our input can make a difference. For example, our recent gender pay gap study shows that wage management systems contribute towards decreasing gender pay disparities in our suppliers' factories.

In this report, we share our reflections and learnings alongside our actions, recognitions, and progress towards our goals.

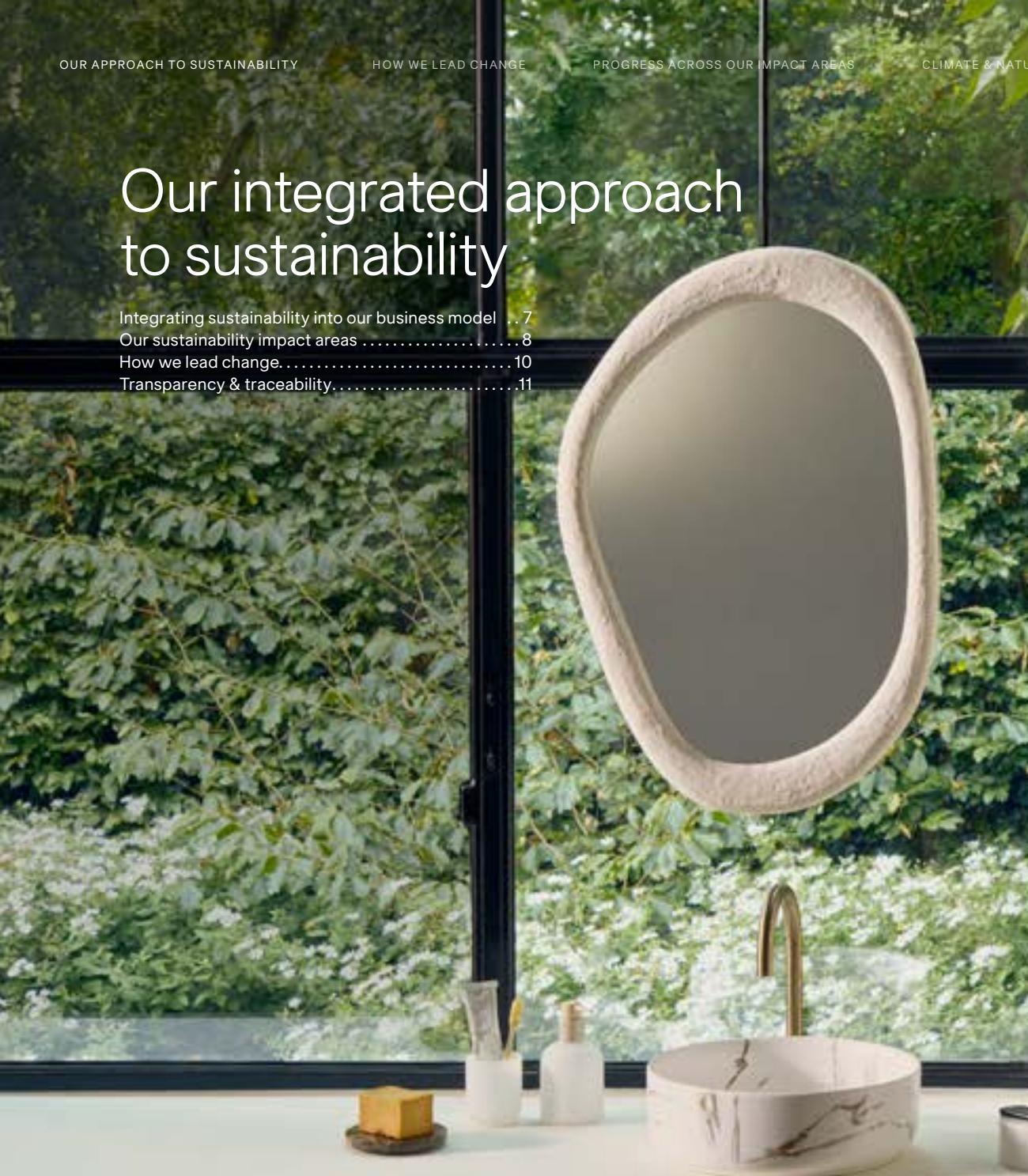
I hope you enjoy reading our 2023 Sustainability Disclosure.

**Leyla Ertur**  
**Head of Sustainability, H&M Group**



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# Integrating sustainability into our business model

H&M Group is a global company that consists of fashion and lifestyle brands, businesses and ventures. We have a longstanding commitment to offer our customers the best combination of fashion, quality, price and sustainability.

Across our entire value chain we strive to make a positive impact on people, the planet and the economy. Our vision is to lead the change towards a more sustainable and circular fashion industry. This includes using our size and reach to influence the wider industry, and to scale the infrastructure and innovation required for this transformational shift.

For our business and communities to thrive within planetary boundaries, we aim to decouple financial growth from the use of finite natural resources. Our goal is that by 2030 at the latest we will double sales while at the same time halving our greenhouse gas emissions in line with our targets, which have been verified by the Science Based Targets initiative (SBTi).<sup>1)</sup> To achieve both, we are innovating, incubating, and investing in scaling new materials, technologies and business models.

We are working together with partners to create a circular ecosystem, with the ambition to develop our own business model and at the same time move the whole industry forward. This includes developing sorting, recycling and re-sell infrastructure — connecting these to each other and integrating them into our value chain.

We are focusing on investment in recycled and sustainably sourced materials and growth generated from new and circular business models, alongside our work to reduce impacts on climate and nature, and to support inclusion and uphold human rights for the people affected by our business. We measure our success equally on financial profit and the level of positive impact we have on people and the planet, which go hand in hand.

Read more about our business idea in our [Annual and Sustainability Report](#).



1) The baseline for the sales goal is 2021, while the baseline for reducing greenhouse gas (GHG) emissions is 2019. H&M Group's goal is to reduce its GHG emissions in absolute figures by 56% by 2030 (baseline 2019) in accordance with the Science Based Targets initiative (SBTi). This includes scope 1, 2 and 3 GHG emissions, and is excluding indirect emissions from use of sold products.

# Our sustainability impact areas

In a world of rapidly escalating social and environmental crises there is an urgent need for our company and the wider fashion industry to catalyse positive change.

As a global company, we recognise the impacts our business has on people and the planet and we must take responsibility to address them, while working with others to enable necessary systemic change. Our commitment to sustainability remains strong and consistent, despite operating in an increasingly volatile and uncertain world.

We prioritise our focus on addressing our key impact areas:

- Climate
- Water & oceans
- Land & biodiversity
- Resource use
- Social impact

These areas are deeply interconnected, requiring an integrated strategy to address them and recognition of how relevant outcomes interact and affect each other. For example, moving to a circular ecosystem — where resources are kept in use for as long as possible — can help us reduce impacts on climate and nature by decoupling our growth from resource use. At the same time, this shift generates diversified revenue streams as we work to scale customer-facing circular business models and invest in solutions that support resource recirculation.

We are committed to putting people at the centre of this transition, by supporting a workforce that is not only prepared for the changes in our industry, but will benefit from them. This requires upskilling

and reskilling initiatives, alongside providing and supporting access to decent jobs.

Our strongest levers to drive transformation within and beyond our value chain are investments in innovation, collaboration with peers, experts and policymakers, and transparent communications and reporting. Read more about how we lead change on page 10.

## Managing & addressing our impact areas

To identify and prioritise issues within our impact areas, we regularly conduct a materiality analysis. Read our Annual and Sustainability Report for more detail on materiality, impacts, risks and opportunities, and read about our current materiality assessment process.



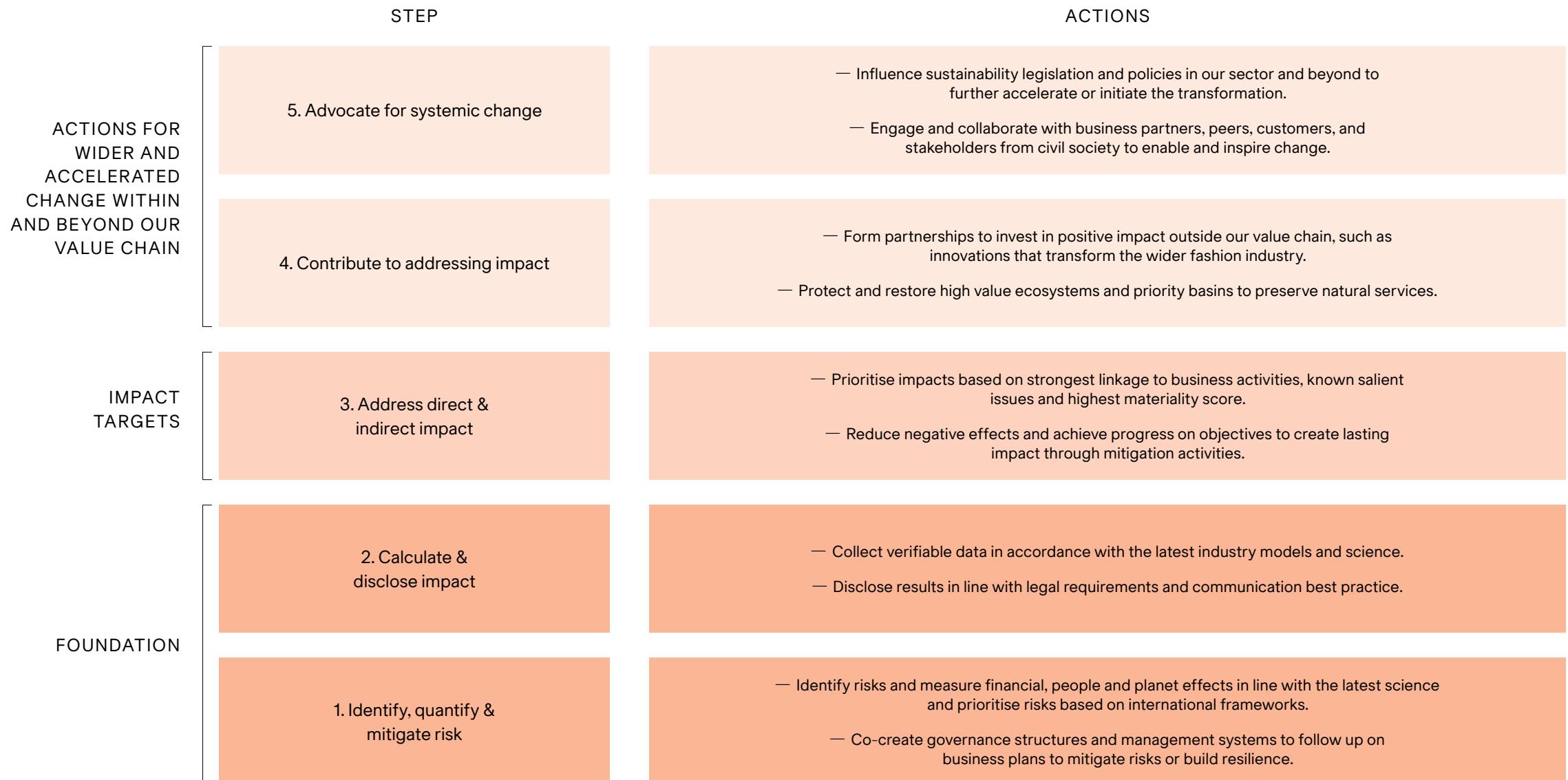
We manage our key impacts through risk assessments, policies, setting goals and mitigation activities, and measuring our progress — all supported by rigorous governance processes. Read more about our sustainability governance structures — including how we are strengthening our policies and risk assessments in line with emerging legislation — on page 74 and in our Annual and Sustainability Report.

## A holistic approach to social & environmental impacts

In 2022–2023, we engaged with Article One, a specialised strategy and management consultancy with expertise in human rights, responsible innovation, and sustainability. We mapped H&M Group's business activities across our value chain and reviewed their relative impacts on people — including human rights vulnerabilities and opportunities for contributing to our sustainability goals.

We used the findings to begin developing a new People Impact Tool, which we will integrate into our risk assessment to prioritise projects, activities and locations with the highest potential for positive impacts on people. Data availability is currently limiting our full value chain assessment, so we will continue to work on improving data completeness and quality to advance the accuracy and impact of the tool.

## How we address our environmental & social impact areas



# How we lead change

We use our size and reach as a global fashion company to scale systemic industrywide change. We invest in three areas to enable change across our impact areas, within and beyond our value chain:

- **Innovation** from the R&D stage through to widespread use. We invest in innovative materials, processes and business models to help us decouple our revenue from resource use, reduce our impact on climate and nature, and empower our customers to be part of our industry's transformation.
- **Collaboration with peers, experts and policymakers** is crucial to develop the solutions, infrastructure and legislation needed to accelerate transformation across our industry. Partnership

## H&M Foundation Global Change Award

In June 2023, H&M Foundation announced the winners of its seventh round of the **Global Change Award**. This is one of the world's largest challenges for early-stage innovation to transform fashion. It aims to select, support and scale impactful innovations that help reduce the fashion industry's negative impact on the environment. This year, H&M Foundation doubled the grant and number of winners, to speed industry transformation.

and dialogue enable us to bring together diverse perspectives, share learnings, capabilities and even resources effectively, and define common frameworks to jointly work towards. Read more about our stakeholder engagement on [page 76](#).

— We strive for **transparent communications and reporting** of progress and challenges, supported by robust data systems to track our impact and aid traceability — read more on [page 11](#). Accurate and comprehensive data supports our decision making.

H&M Group has dedicated functions and teams to support and drive these levers. Our labs, ventures, brands and businesses help drive progress towards our targets:

- Our Circular Innovation Lab supports innovations from early-stage to commercial production, and integrates these across our organisation and supply chain.
- Our innovation hub, The Laboratory, researches and tests new circular business models and other areas of strategic importance to our business.
- Our investment arm, H&M Group Ventures, invests holistically across several focus areas, including new and developing technologies that help enable a [circular](#) fashion industry and support the group's sustainability goals.
- Looper Textile Co. is an independent joint venture launched last year with Remondis, providing municipalities and retailers with solutions to extend the useful life of unwanted garments via reuse and recycling.

— Our brands test and integrate new materials and solutions developed by our businesses into their collections and ways of working. By engaging directly with our customers, our brands can empower them to make more informed decisions that help scale new business models. For example, our membership-based brand Singular Society offers customers premium products at the price they cost to make. In 2023, the brand promoted its innovative concept through several activities aimed at growing its membership base, including a new membership structure allowing members to shop as free members (at traditional retail price) or as annual members (at member price).

## Harnessing digital technology responsibly

H&M Group is committed to handling artificial intelligence (AI), data and digital technology ethically and responsibly. This is stated in our Digital Ethics Policy and Digital Ethics Principles, published internally in February 2023. Our nine overarching principles are built on our company values and commitment to human rights, as well as industry best practices in digital ethics. They include robustness, human and societal wellbeing, transparency, human control, accountability, environmental consciousness, fairness and diversity, meaningful engagement, and safety and security.



# Transparency & traceability

H&M Group has a long tradition of transparent reporting, supply chain disclosure, and helping our customers to make more informed choices. We believe that transparency is key to driving positive change in our industry. By enabling comparability, transparency helps customers make informed choices and incentivises companies to innovate and improve.

Our industry has historically relied on voluntary efforts from companies to track and disclose their impacts on people and planet. We believe that carefully developed legislative frameworks will accelerate much-needed transformation. Our long history of prioritising transparency makes us well-positioned to comply with new requirements, and we truly welcome the shift towards a clearer legislative landscape that can provide us with harmonised methods to communicate our sustainability impacts and performance.

A lack of industry tools and an uncertain legal landscape have stoked industrywide insecurity about making sustainability claims. To tackle this uncertainty, we are helping shape tools to assess and benchmark sustainability performance in our industry, and legislation to create a framework for measuring product environmental impacts.

Many brands, including H&M Group, have faced questions and criticism about the accuracy of sustainability claims. We have listened and taken action to make sure our product sustainability claims are clearer and more contextualised. The fashion industry is now coming together to provide consistent, comparable information to customers and regain trust, and we want to help lead that change. Our strategy focuses equally on traceability and transparency:

— **Traceability** is knowing when, where, and how a product — and each of its components — is made, allowing us to trace it back from source

to consumer. We need to know every step in a product's journey to ensure we have accurate and comparable data to assess the impacts and risks related to our products and materials.

- **Transparency** is sharing detailed information about our products, services and business practices. This information supports customers in making informed decisions. And by sharing data publicly about our business and our impacts, we hold ourselves and others to account and accelerate sustainable change in our industry.

We're committed to continually improving the comparability and quality of the data, systems and calculations we use, together with our partners and all relevant stakeholders.

## Progress: transparency

- We reviewed our systems and processes related to sustainability claims and data management, to further strengthen accuracy and minimise risks of human or technical errors.

- As a participant in the Higg Strategic Councils and Member Expert Teams, we contributed our knowledge and experience to drive industry tool improvements on both a strategic and operational level. In addition:

- We collaborated on the Product Footprint Case Study, an exercise in interpreting the latest legislation in development and sustainability claims guidance, while taking account of the evolving fashion communications environment towards consumers.
- Our Product Impact Lead took a seconddment with the Sustainable Apparel Coalition (SAC) to drive developments on the Higg Product Module

(PM) and Materials Sustainability Index (MSI). During the seconddment, we supported the SAC to plan and integrate legislation compliance and capacity building into the Higg Product Tools. To help drive impact beyond regulatory requirements, we collaborated on developing industry-aligned methodologies for product footprint calculations.

- We continued to contribute our time and expertise to actively support the EU Product Environmental Footprint (PEF) technical working groups to drive the development of this framework and work towards a harmonised, science-based method to calculate environmental impact on a product level. This methodology will serve the entire European market, regardless of the size and scale of the brand.

- The Higg Brand & Retail Module (BRM) is being updated to align with other rankings and upcoming legislation, and the revised module is currently being tested in a verification pilot. We provided

input to this process, and all our brands completed the pilot and had their data verified.

- In this year's design collaboration with Rabanne, we labelled our products with Textile Exchange Standard Logos. These certification logos are independently verified by a third party and help us to validate the sustainability claims we share with customers.

- H&M Group is Organic Content Standard, Global Recycled Standard, Recycled Claim Standard, Responsible Wool Standard, Responsible Mohair Standard, Responsible Alpaca Standard and Responsible Down Standard certified, Control Union 1201053.

- H&M Group is Global Organic Textile Standard certified, Control Union 1201053.

- To improve customer-focused transparency, H&M redesigned product description pages globally on hm.com to include more detailed information about materials and suppliers.

## Number of supplier factories on our supplier list and % relevant production volume<sup>1</sup>

Read more about how we work with suppliers, including our minimum requirements, on [page 78](#).

	2020	2021	2022	2023 <sup>2</sup>
Tier 1	1,603 (100%)	1,519 (99%)	1,183 (99%)	1,005 (95%)
Tier 2	291 (70%)	349 (71%)	392 (73%)	344 (60%)

<sup>1</sup> See page 79 for a description of our supplier tiers.

<sup>2</sup> In 2023, we updated our definitions and calculation methodologies to align with industry standards. These changes have led to a decreased share of volume coverage on our supplier list.

- Together with Textile Exchange and other brands, we are co-funding a life cycle assessment (LCA) study for cotton to improve data quality and address data gaps in our industry. These studies will be finalised in 2025.
- We improved the accuracy and governance structure of the H&M Group supplier list and we are working on expanding its scope. Read more about our [supplier list data](#).
- We continued to work with our material suppliers to encourage them to share primary data with industry databases and tools such as the Higg MSI. We currently lack comparable data in the industry on the production process level ([page 42](#)), and in 2023 we worked with an external consultant to determine baseline impacts based on primary data.

## Recognition for transparency

We ranked sixth (fourth in 2022) in the Fashion Revolution's [2023 Transparency Index](#), with a score of 71% (66% in 2022). The index ranks 250 of the world's biggest fashion brands according to the information they disclose about their social and environmental policies, practices and impacts in their operations and supply chain. Although we improved our score by 5% from the previous year, our overall ranking decreased. This is an indication of the fashion industry taking action to improve transparency, and motivates us to go further in communicating detailed, comparable information about our business and products.

<sup>1)</sup> TextileGenesis™ creates article-level traceability from fibre to product using digital tokens (Fibercoins). The mechanism is designed to trace 'fibre forwards', from fibre origin to final product.

## Progress: traceability

- We increased our efforts to explore potential traceability solutions. For example:
  - We far exceeded our first milestone of tracing 200 million units containing man-made cellulosic fibres and recycled polyester (RPET) through the [TextileGenesis™](#) platform.<sup>1</sup> Our focus is now to increase supply chain engagement with the platform before expanding to more materials.
  - We participated in the eTrackit pilot for Organic Content Standard (OCS) and Responsible Animal Fibers (RAF) textiles. Launched by Textile Exchange and powered by the [TextileGenesis™](#) platform, eTrackit aims to increase efficiency and integrity in traceability by tracking the volume of certified materials for each individual product.
  - In November 2023, Better Cotton Traceability was launched — designed to give members confidence they are sourcing product from a specific country, and to establish greater supply chain visibility. We engaged with other industry leaders as part of the Better Cotton Retailer and Brand Traceability Panel, to ensure farmers and farming communities can continue to access increasingly regulated markets. This year, we contributed our expertise on topics including driving demand for Traceable Better Cotton and supporting suppliers and teams through necessary changes.

## Learnings & future focus

- We are well-positioned to meet upcoming legislation, thanks to our long history of prioritising transparency. We have learned the importance of being more clear and more precise in our sustainability communications. We will also continue to improve our data accuracy, strengthen our processes, and adapt how we operate our business.
- With evolving legislation all brands will need to share information about their products and business practices. Leading transparency will no longer be defined by disclosure alone, but rather by transparency about impact and progress, going beyond legal requirements.
- We depend on cooperation and tool implementation from our suppliers when mapping our supply chain, and we need to work at an achievable pace for them to create lasting change.
- Fibre-to-product traceability requires collective action and shared solutions to scale our efforts and avoid duplicative initiatives and fragmentation in the industry.
- Traceability goes beyond raw materials, and we will help to drive viable solutions for traceability after the point of sale to enable a shift towards a [circular ecosystem](#) for our own business and the wider fashion industry.
- Increasing our level of visibility into our supply chain is an ongoing priority — both to enhance our understanding of suppliers, and to gather data that will aid traceability from raw material through to manufacturing.



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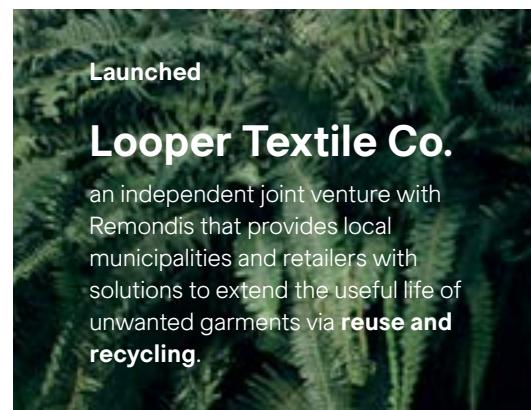
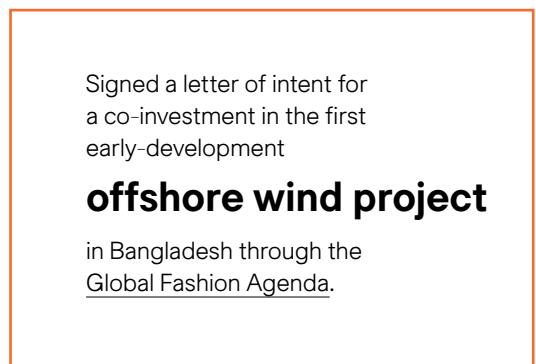
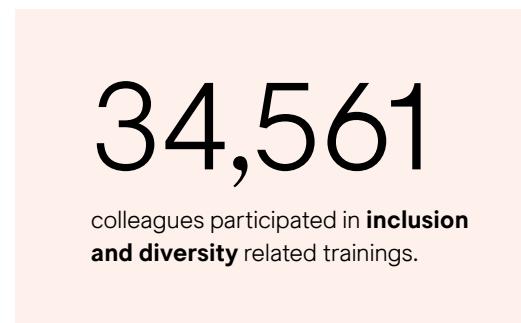
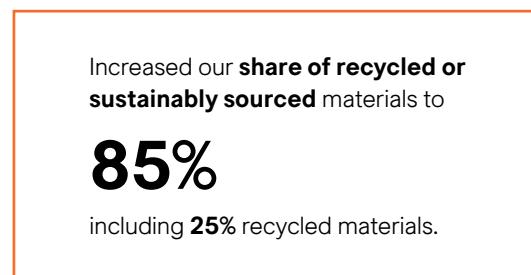
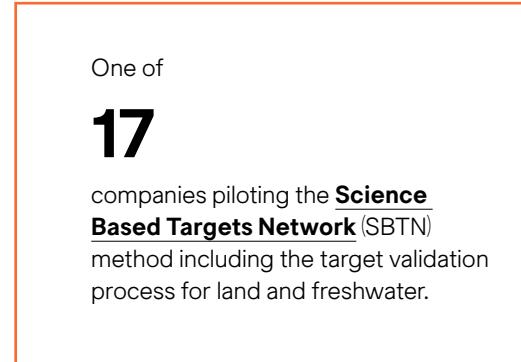
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# 2023 highlights

For topic-specific performance data read the relevant sections throughout this report, and the summary tables in the [Annual and Sustainability Report](#).



# External assessments

We are pleased to see our work in 2023 has been recognised by the following benchmarks:

- **CDP (formerly the Carbon Disclosure Project).** H&M Group achieved CDP scores of A- in the Climate module and B in the Water module. Our Forest score was C for Cattle products, C for Timber, and D for Palm Oil (read more on [page 29](#)).
- **Dow Jones Sustainability Indices (DJSI).** H&M Group was included in the Dow Jones Sustainability World Index for the 12th year running. In 2023, we reached a score of 58/100 (61/100 in 2022), with highest possible or best-in-class scores in climate-related management strategies and human rights assessment. We will work to improve our scores in other categories, such as talent attraction and retention, risk and crisis management and labour practices. We were also listed in the Dow Jones European Index and included in the S&P Global Sustainability Yearbook.
- **Fashion Transparency Index.** H&M Group ranked sixth out of 250 fashion brands and retailers reviewed by [Fashion Revolution's 2023 Fashion Transparency Index](#), with a score of 71% (66% in 2022). We achieved 100% in the governance section.
- **FTSE4Good.** H&M Group was a constituent of the FTSE4Good Index Series, which helps investors identify companies demonstrating strong environmental, social and governance standards.
- **InfluenceMap Corporate Climate Policy Engagement Leaders.** H&M Group is identified as one of the companies with best practice in climate policy advocacy in 2023, in the [InfluenceMap Corporate Climate Policy Engagement Leaders report](#).

- **Platform Living Wage Financials.** Our work on wages in our supply chain was rated as “advanced” in the [Platform Living Wage Financials 2023 Annual Report](#). We were one of two members of the garment and footwear sector included in this category.
- **S&P Global Sustainability Yearbook.** H&M Group has been included in the S&P Global Sustainability Yearbook 2024 as one of 759 companies from more than 9,400 that were assessed. The yearbook aims to distinguish individual companies, within their industries, that have demonstrated strengths in corporate sustainability.
- **Stand.earth Fashion Scorecard.** H&M Group ranked first in the [Stand.earth Fossil Free Fashion Scorecard 2023](#), an analysis of 43 fashion brands. We achieved a B- score overall and an A+ for our public affairs work, confirming our leadership position in addressing policy changes.
- **Textile Exchange Material Change Index.** H&M Group was identified as one of six overall leaders (of 130 participating companies) in the 2023 [Material Change Index](#), based on our submitted data to the Materials Benchmark programme. H&M Group was one of two companies that received a level 4 (leading) score on all three sections — Business Integration, Circular Economy, and Impact Areas.
- **Zero Discharge of Hazardous Chemicals Brands to Zero assessment.** H&M Group was one of ten brands awarded [Aspirational Level](#) for our leadership in implementation of chemical management in our supply chain.



# Climate

Communities and ecosystems around the world are experiencing the climate crisis first-hand. The impacts of extreme weather incidents and temperature shifts are magnifying pre-existing human rights issues and inequities and impacting infrastructure, nature and wellbeing. Along with our peers we must take urgent action to reduce our own climate impacts, anticipate the risks climate change presents to our company and stakeholders, and invest in climate action beyond our value chain to safeguard our planet and our business.

We support sustainability legislation and policies that will enable both H&M Group and others around the world to achieve net-zero in the coming decades. To meet the increased focus on risk, we are ensuring our climate ambitions are embedded into our business strategy and driven by our whole organisation.

## Our climate strategy

By 2040, we plan to reach net-zero as defined by the Science Based Targets initiative's (SBTi) net-zero standard. This means reducing our greenhouse gas (GHG) emissions as far as possible (by at least 90%) before balancing out any minor remaining emissions that cannot be avoided, using permanent<sup>1</sup> carbon dioxide removals.

## Addressing our direct & indirect impact

Our groupwide climate goals, validated in 2022 by the Science Based Targets initiative (SBTi):

- Reduce our absolute scope 1 and 2 GHG emissions by 56% by 2030, against a 2019 baseline.
- Reduce absolute scope 3 GHG emissions by 56%<sup>2</sup> by 2030, against a 2019 baseline.
- Reach net-zero by 2040.<sup>3</sup>

Our supporting targets focus on different aspects of our value chain:

- By 2030, achieve a 25% reduction in electricity intensity in our stores from a 2016 baseline. We exceeded this goal in 2023 and we will establish new targets with the aim to further accelerate our progress.
- By 2030, source 100% renewable electricity in our own operations, including ≥50% from power purchase agreements with new renewable electricity generation.
- By 2030, sourcing of 100% renewable electricity in our supply chain.
- By 2030, source 50% recycled materials.

In early 2024, we published our climate transition plan, outlining how we are working to achieve these targets. We focus our efforts on:

- **Energy efficiency:** We are reducing energy use across our whole value chain — including our own operations and logistics activities and throughout our supply chain.
- **Renewable energy:** Alongside working to source 100% renewable electricity in our own operations, we engage with partners and suppliers to

1) Permanent carbon dioxide removals for use under the net-zero standard are currently being defined by the SBTi. Until this work is completed, we will take a conservative approach and only focus on those that have a durability of over 1000 years.  
 2) Excluding indirect GHG emissions from use of sold products. We have in the past been engaging with the SBTi to identify a credible mitigation approach that would enable setting a high integrity target for indirect use-phase emissions. The engagement has not yet resulted in a way forward, but will be renewed once the current revision of the GHG Protocol is finalised (likely in 2025).  
 3) Target boundary includes 100% of scope 1 and 2 emissions, and 100% of minimum boundary scope 3 emissions (which excludes indirect emissions from use of sold products).

increase their use of renewable electricity, heat and steam.

- **Circularity:** We invest in and work to scale circular systems across our business — including our products, supply chains and customer journeys. These efforts are central to reducing our GHG emissions, as they reduce our dependency on

virgin materials and enable us to decouple revenue from resource use.

Our Internal carbon pricing supports our work to reduce GHG emissions from materials, production processes and transports. As a tool for behavioural change it adds a shadow-price on emissions and thereby influences the choices made within the company.



## Our climate impact framework — building on our sustainability approach

	STEP	ACTIONS	KEY PARTNERSHIPS & FRAMEWORKS
ACTIONS FOR WIDER AND ACCELERATED CHANGE WITHIN AND BEYOND OUR VALUE CHAIN	5. Advocate for systemic change	<ul style="list-style-type: none"> <li>— Advocate for policy that aims to limit global temperature rise to 1.5°C and push for legislation that accelerates the decarbonisation of our value chain.</li> <li>— Engage and collaborate with peers and others to enable and inspire global climate action.</li> </ul>	<ul style="list-style-type: none"> <li>— The Fashion Pact</li> <li>— UN Framework Convention on Climate Change</li> <li>— WWF</li> </ul>
	4. Contribute to addressing impact	<ul style="list-style-type: none"> <li>— Remove and permanently store atmospheric CO<sub>2</sub> to reach net-zero by 2040.</li> <li>— Protect existing carbon sinks to avoid emissions and biodiversity loss that arise from their degradation.</li> </ul>	<ul style="list-style-type: none"> <li>— Science Based Targets initiative Net-Zero Standard</li> </ul>
IMPACT TARGETS	3. Address direct & indirect impact	<ul style="list-style-type: none"> <li>— Prioritise actions for emissions reductions based on potential for impact and our ability to influence.</li> <li>— Identify and work collaboratively to remove barriers to decarbonisation, through financing and innovation.</li> <li>— Reduce absolute emissions in line with a 1.5°C pathway.</li> </ul>	<ul style="list-style-type: none"> <li>— Science Based Targets initiative</li> </ul>
	2. Calculate & disclose impact	<ul style="list-style-type: none"> <li>— Collect GHG emissions- and energy use-data in accordance with the latest industry models and science.</li> <li>— Disclose results transparently and openly.</li> </ul>	<ul style="list-style-type: none"> <li>— CDP</li> <li>— GHG Protocol</li> <li>— UN Framework Convention on Climate Change</li> </ul>
FOUNDATION	1. Identify, quantify & mitigate risk	<ul style="list-style-type: none"> <li>— Identify climate risks in line with the latest science and best practice.</li> <li>— Assess financial, people and planet effects and prioritise risks.</li> <li>— Create and follow up on plans to mitigate risks and build resilience.</li> </ul>	<ul style="list-style-type: none"> <li>— Organisation for Economic Co-operation and Development</li> <li>— Task Force on Climate-related Financial Disclosures</li> </ul>

## Addressing impact beyond our value chain

Achieving global net-zero emissions is a shared responsibility. We acknowledge that alongside our efforts to cut emissions in our value chain, we have a duty to contribute to this wider goal.

As a member of [Frontier](#), we commit to buy permanent carbon removals once they are delivered, to demonstrate strong demand for these technologies and to accelerate their development. We are part of the [Lowering Emissions by Accelerating Forest Finance \(LEAF\) Coalition](#), a public-private initiative that aims to mobilise large-scale financing to countries

## Our climate-related risks & opportunities

We assess and disclose the risks climate change poses to our company and suppliers through our [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#) disclosure within our [Annual and Sustainability Report](#). Our key risks include mitigating the increased cost of alternative energy sources without overburdening our customers, and a potential decrease in sales if we lose our reputation as a low climate-impact fashion retailer.

committed to making ambitious reductions in tropical deforestation, while also supporting livelihoods and protecting biodiversity.

## Advocating for systemic change

We engage with policymakers to develop and support legislation — including progressive renewable electricity policies in our production countries — to accelerate the decarbonisation of our value chain and the world. For example, we are members of the steering committee of the [Fashion Industry Charter for Climate Action](#) under the [UNFCCC](#), which we use to encourage industry groups to support policies aligned with the Paris Agreement.

The only way we can create rapid and lasting global change is by collaborating with others. Climate is a key focus of our partnership with WWF, including through membership of the [WWF Climate Business Network](#). We are also a member of [The Fashion Pact](#), a CEO-led initiative which unites the fashion industry to chart a pathway towards collective solutions to tackle climate change, restore biodiversity and protect the oceans. We sit on the [AIM](#) platform's Governing Committee, helping to develop guidance for transparent and credible accounting, reporting and claiming of emissions reductions from high-quality value chain interventions. In collaboration with the GHG Protocol and the SBTi, this work will incentivise companies to invest in scope 3 climate action.

We work with a range of partners to reduce emissions across our supply chains, and we are part of the [RE100](#), a global corporate renewable energy initiative. We are a lead partner of the [Aii Fashion Climate Fund](#) to decarbonise fashion industry supply chains. To support transport decarbonisation, we are part of [The Pathways Coalition](#), and the [Clean](#)

[Cargo Collaboration](#). We require sea transporters to register their environmental performance in the [Clean Shipping Index](#) or the [Clean Cargo Smart Freight](#)

[Centre](#), and we are a signatory to the [Arctic Shipping Corporate Pledge](#).

## Investment in emissions reductions within & beyond our value chain

Our green investments are designed to speed up decarbonisation. They bridge the gap between business goals and climate ambitions, bringing financing for long-term payback projects within reach. In 2023, 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:

— **Technical support and financing.** We offer on-site energy audits by our local energy expert teams and, through our Green Fashion Initiative, make funding available to supplier factories to invest in the technologies and processes needed to reduce energy demand and replace fossil fuels.

— **Collaborative finance.** We are a lead partner to the [Fashion Climate Fund](#) by Apparel Impact Institute, which drives collective action to tackle fashion's supply chain GHG emissions. Our Collaborative Financing Tool, developed together with DBS, is designed to enable brands to collectively finance decarbonisation projects in shared suppliers producing fabric and finished garments ([page 22](#)).

— **Renewables.** We are signing power purchase agreements (PPAs) with renewable energy developers, to increase use of renewables in our own operations and bring new generation capacity to electrical grids where we operate. In 2023, we signed a letter of intent to co-invest in the first early-development offshore wind project in Bangladesh ([page 22](#)).

— **Green bond.** We issued a EUR 500 million green bond from which the net proceeds will be allocated towards investments in eligible projects under the categories circular economy, green buildings, renewable energy, energy efficiency, and sustainable water and wastewater management. We also have a EUR 500 million sustainability-linked bond outstanding since 2021, tied to targets for emissions reduction and use of recycled materials.

— **Materials.** Our investments in innovative recycled and sustainably sourced materials help to lower our emissions ([page 36](#)).

— **Efficiency.** Energy efficiency investments in our stores and supplier facilities support our GHG reduction goals.

We measure return on our investments in GHG emissions reductions, not financial gain. Read more about our green investments.

## 2023 data

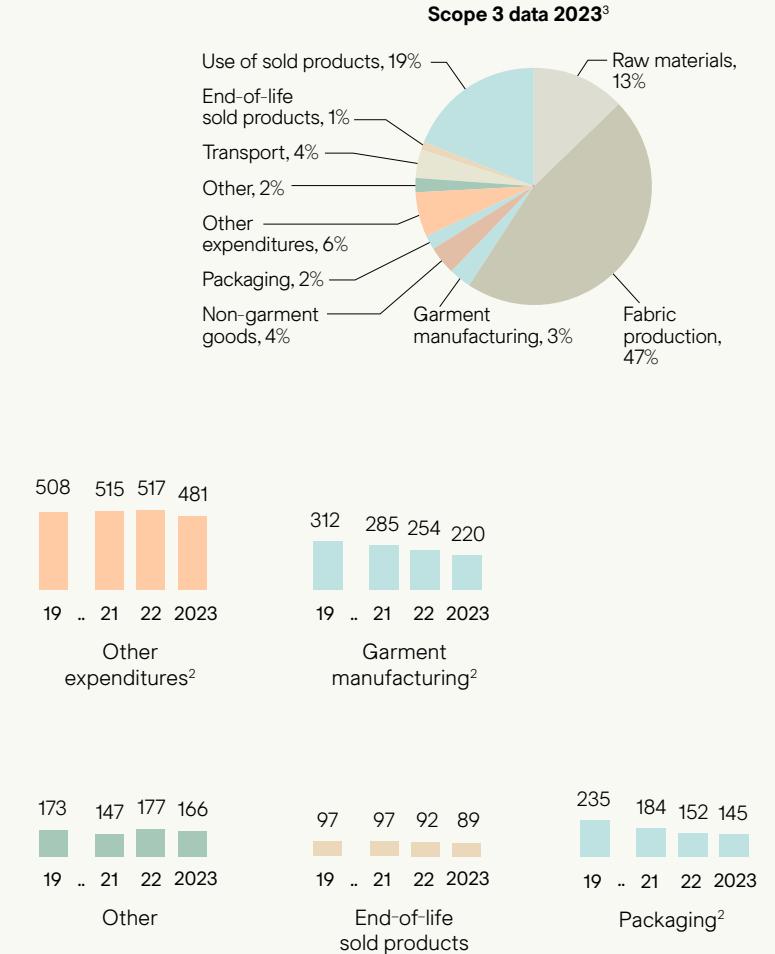
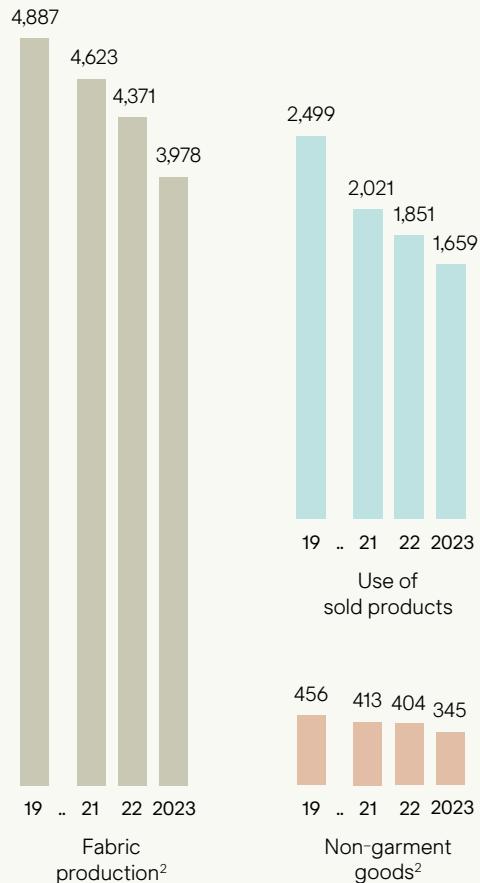
GHG emissions <sup>1,2,3,4</sup>						
	2019 (BASELINE YEAR)	2021	2022	2023	% NET CHANGE COMPARED WITH 2022	% ABSOLUTE CHANGE COM- PARED WITH BASELINE YEAR (2019)
Total scope 1 emissions (tonnes CO <sub>2</sub> e)	23,024	20,294	17,796	16,354	-8%	-29%
Total scope 2 emissions, including renewables (tonnes CO <sub>2</sub> e)	48,733	35,339	46,803	38,451	-18%	-21%
Total scope 1 & 2 emissions, including renewables (tonnes CO <sub>2</sub> e)	71,757	55,633	64,599	54,805	-15%	-24% -56% by 2030 (2019 baseline)
Scope 3 emissions (kilotonnes CO <sub>2</sub> e) under our science-based target (excluding use-phase emissions)	8,839	7,936	7,498	6,873	-8%	-22% -56% by 2030 (2019 baseline)
Total scope 3 emissions, including use-phase emissions (kilotonnes CO <sub>2</sub> e)	11,338	9,957	9,349	8,532	-9%	-

1) In 2023, we updated our emissions calculations, including historic data — see page 21. Read more about our data and calculation methods.  
 2) See page 88 for an assurance statement relating to these data points. 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).  
 3) 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>).  
 4) 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, energy-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 includes both actual data and estimates, where estimates are made if actual data is not received or not available within the reporting deadline. Electricity consumption data for HVACs operated by landlords is estimated. Read more about scope 3 limitations and comments in [How we report](#).

Energy use in our own operations <sup>5</sup>					
	2020	2021	2022	2023	TARGET
% renewable electricity in our own operations	90%	95%	92%	94%	100% by 2030
% of electricity from power purchase agreements (PPAs) with new renewable electricity generation	-	-	-	10%	≥50% by 2030
% change in electricity intensity (kWh/m <sup>2</sup> per opening hour compared with 2016 baseline)	-17%	-17%	-23%	-29%	-25% by 2030
Energy use within our own operations (gigajoules (GJ)), of which:	5,171,889	4,994,444	4,971,267	4,340,035	-
District heating (GJ)	258,458	110,290	91,008	81,733	-
Electricity (GJ) <sup>6</sup>	4,641,545	4,575,183	4,607,283	4,007,517	-
Building diesel, natural gas, oil and others (GJ)	271,886	308,971	272,975	250,785	-

5) See page 88 for an assurance statement relating to these data points. The limited assurance process covers renewable electricity in own operations, change in electricity intensity and energy use in own operations.  
 6) Energy related to electricity-based cooling consumption is included.

### Scope 3 emissions (kilotonnes CO<sub>2</sub>e)<sup>1</sup>



### Progress: overall

- Our absolute scope 1 and 2 GHG emissions decreased by 24% 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% 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 emissions per revenue is also positive, with a 23% decrease in tonnes of CO<sub>2</sub>e/ SEK million compared to 2019, and a 13% decrease compared to 2022.
- We developed our climate transition plan, detailing our ambitions to transform our value chain to reach our climate targets, and published it together with this report.
- 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>3</sup> in 2021). This decrease is a result of our continued efforts in phasing out on-site coal, changes in our

<sup>1)</sup> See page 88 for an assurance statement relating to these data points. The limited assurance process included emissions from transportation, raw materials, garment manufacturing and fabric production (scope 3).

<sup>2)</sup> GHG Protocol category 1: purchased goods and services.

<sup>3)</sup> Figures do not add up to 100% due to rounding.

<sup>3)</sup> 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.

supplier base, local policy, and H&M Group pushing for increased electrification of steam production. We are working closely with business partners and local stakeholders in our production countries to accelerate total substitution of coal, as well as financially supporting suppliers to transition to solar photovoltaic and thermal energy from agricultural residues. This will make a significant contribution to reaching our absolute GHG emissions reduction goal.

## Progress: updated data & calculation methods

- We continually work to improve our data availability and quality, so we can capture our emissions as accurately as possible. The improved model and data quality will support us to improve how we steer our business to reduce our climate impact, and enable us to better capture the outcomes of specific investments and initiatives. Here, we share details of specific changes and their impact on our previously reported figures (specifically 2022 figures and baseline 2019 figures), to provide transparency and continuity. In 2023, we:
  - Improved data used for product weights and updated the factor used for some of our major material sources, to better represent the material impact. These changes led to an increase in emissions from raw materials by 74% or 510 kilotonnes (kt) CO<sub>2</sub>e for 2022, compared to what was reported in our 2022 Sustainability Disclosure. As this also affected the total weights of products, the use phase emissions also increased by 28% or 409 kt CO<sub>2</sub>e in the same comparison.
  - Improved the coverage to include all upstream emissions from energy used in our supply chain,

leading to an increase in emissions of 732 kt CO<sub>2</sub>e in 2022 compared to what was reported in our 2022 Sustainability Disclosure, and improved the model for upstream emissions related to our own operations (category 3 scope 3), which led to an increase of 14% or 22 kt CO<sub>2</sub>e for 2022, compared to what was reported in our 2022 Sustainability Disclosure.

- Developed a more granular method for calculating emissions from production processes, based on the energy needs for each production step — from spinning to finished product. By focusing on energy needs rather than emission factors, we can better capture any changes to our supply chain and see the impact of our improvements. We have also reworked the way we factor waste into our production processes. These changes led to an increase in emissions from fabric production processes by 53% or 1,520 kt CO<sub>2</sub>e for 2022, which includes the 732 kt CO<sub>2</sub>e from upstream emissions listed above, compared to what was reported in our 2022 Sustainability Disclosure.
- Allocated data calculations for production processes more accurately, which reduced the amount of processed pieces connected to garment manufacturing, and moved these into fabric production. This led to a decrease in garment manufacturing emissions by 48%, or -237 kt CO<sub>2</sub>e for 2022, compared to what was reported in our 2022 Sustainability Disclosure.
- Updated the method we use to account for emissions related to packaging, to more accurately reflect our reduction activities. This led to an increase in emissions related to packaging by 180% or 152 kt CO<sub>2</sub>e for 2022, compared to what was reported in our 2022 Sustainability Disclosure, where packaging was

reported under Other expenditures, which was consequently lowered by 68 kt, or 12% in the same comparison.

- All these changes have been applied to historical results, both for absolute figures and reductions between years. This can be seen in the results for 2022, where progress since the baseline (2022 vs 2019, total scope 3 GHG emissions excluding use phase) is now approximately -15%, compared to the -7% previously reported in our 2022 Sustainability Disclosure. For our full scope 3 emissions, including the use-phase all these changes corresponds to an increase of and 31% or 2,986 kt CO<sub>2</sub>e for 2022 and, 42% for 2019, and an additional absolute decrease between 2019 and 2022 of 1,107 kt CO<sub>2</sub>e compared to what was reported in our 2022 Sustainability Disclosure. See [pages 19-20](#) for details of our scope 3 emissions, including and excluding use-phase.
- We added new scope 1 categories covering refrigerants and company cars, which were previously not included in our reporting since they are a relatively small share of our total emissions. In total, this added 3,552 tonnes CO<sub>2</sub>e to our scope 1 emissions in 2023, and 5,961 tonnes in 2019 — a total decrease of 2,409 tonnes between 2019 and 2023.

## Progress: operations

- We achieved a 29% reduction in electricity intensity in our stores (per square metre and opening hour) from our 2016 baseline, exceeding our goal of 25% 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

## PPAs

By 2030, we aim to source 100% renewable electricity in our own operations. In 2023, we added a target for ≥50% of that renewable electricity to come from power purchase agreements (PPAs) with new renewable electricity generation. These will increase the renewable electricity generation capacity on electrical grids in markets where we operate.

operational strategy. Activities that contributed to meeting our goal include:

- Implementing energy management systems and building management systems in the vast majority of our stores and offices (currently 90%), giving us useful information to improve our electricity efficiency.
- Reducing the number of lighting fixtures in our stores and upgrading our heating, ventilation and air conditioning (HVAC) equipment.
- Fitting 91% of our stores with LED lights.
- 94% of electricity purchased for our operations was renewable (92% in 2022), including 10% 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.
- We have currently signed five PPAs in Europe, for solar parks being built in the UK (1), Spain (3) and Sweden (1). The first one, in the UK, started

delivering electricity in December 2022, followed by two in Spain in July 2023. To date, we have in total secured a capacity of 240MW of renewable electricity, which will result in an indicative annual output of 370GWh, more than a quarter of our annual electricity use.

- Our environmental, social and governance (ESG) construction frameworks ensure energy efficiency measurements are included in newly constructed distribution centres. We also implemented more energy efficiency measures in existing distribution centres, including:
  - Installing building management systems, optimising distribution centre working hours, and installing smart lighting systems with motion sensors and light intensity adjusted to daylight.
  - Starting three ongoing projects to install heat air pumps which efficiently generate heat through electricity rather than natural gas.
  - Creating a digital twin of one of our warehouses to optimise energy consumption based on AI solutions. With the success of this pilot, we will look to replicate this for additional warehouses.

## Progress: supply chain

- Alongside the ongoing energy audits and technical support given to already enrolled 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. This significant progress underscores the importance of prioritising investments in energy efficiency at the factory level.

- Our Green Fashion Initiative has financed 17 projects focusing on several aspects of decarbonisation. These initiatives have the potential to reduce approximately 50 kilotonnes of CO<sub>2</sub>e annually within H&M Group's supply chain, with an additional reduction of approximately 120 kilotonnes beyond our supply chain.<sup>1</sup>
- 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. Through the programme, suppliers can access financing and technical support to upgrade their factories and decrease their climate impact. The programme aims to bring brands together to collectively finance decarbonisation projects for shared suppliers, keeping the cost of borrowing low for factories and laying the groundwork for long-term, resilient business partnerships.
- Electrification paired with sourcing renewable energy is our preferred solution for meeting the thermal energy needs of our suppliers' factories. However, we acknowledge that there are parts of our production markets where this is not yet a viable option due to barriers to sourcing renewable electricity, unreliable grid connections, or both. In these cases, biomass feedstock can be a necessary transitional energy source on-site. As the sustainability risks associated with different biomass feedstocks vary, we are guiding our suppliers on selecting biomass with the lowest risk of adverse impact.
- Our transport GHG emissions reduced from 331 to 303 kilotonnes CO<sub>2</sub>e. This is driven by a decrease

<sup>1)</sup> Figures differ from 2022, since we are now reporting on projects financed, rather than projects approved.

in stock in trade and maintainence of a low share of airfreight, supported by transport optimisation measures and further increasing the share of alternative fuels. We are making progress with new transport options and optimisation measures. For example:

- We have a strategic partnership with Maersk, to accelerate logistics decarbonisation, alongside partnering with other peers to create green shipping corridors — focusing on routes from ports to distribution centres to support zero-emissions solutions.
- Investing in trialling equipment that increases the efficiency of product transportation by maximising the number of bags loaded into each cage or pallet box.
- Using electric vehicles for the last mile of delivery in several regions. We used preferred transport options — including 100% biofuel, electric and zero emissions vehicles — for 11% of the transport distance during 2023.

## Progress: beyond value chain

- In 2022, we signed our first contract for permanent carbon dioxide removal (CDR)<sup>2</sup> via a multi-year agreement with Climeworks using direct air capture and storage. In 2023, Climeworks became the first CDR company to have its methodology verified by a third-party and announced the construction of the plant it will use to fulfil our contract.

<sup>2)</sup> Permanent carbon dioxide removals for use under the net-zero standard are currently being defined by the SBTi. Until this work is completed, we will take a conservative approach and only focus on those that have a durability of >1000 years.

- We joined Frontier, an advance market commitment for permanent carbon removal, to support the scaling of this emerging sector — which we need to balance out, at the most, the residual 10% of our GHG emissions after we have achieved our 2040 emission reduction target. Since joining in April 2023, we have entered into offtake agreements — a contract to buy permanent carbon removals once they are delivered — directly with four different companies. Charm Industrial produces bio-oil from agricultural waste and injects it into geologic storage. Carbon Capture and Heirloom engage in direct air capture, and Lithos Carbon engages in enhanced weathering.

## Progress: advocacy & industry action

- We have held the co-chair of the Fashion Pact, which represents one-third of the global fashion industry. The initiative takes a collaborative approach to cutting emissions across the entire value chain and contributes to solving industrywide challenges.
- Collective investments are needed to secure large-scale, cost-effective supplies of renewable energy in our manufacturing countries. We signed a letter of intent for 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.

## Learnings & future focus

- We have an opportunity to scale up our energy management systems and HVAC upgrades in our stores, though in some markets we have faced challenges in finding specialists to support us with HVAC efficiency. To continue improving energy efficiency, we will complete our LED retrofit, eliminate natural gas boilers and implement energy management systems or building management systems in 100% of our stores. We will also reduce the number of light fittings per square metre and work to expand our HVAC upgrades.
- We aim to electrify, increase on-site solar PV installations, and perform energy audits on our biggest and most automated distribution centres, which consume the most energy.
- To ensure consistent advancement towards lower-emissions transportation we must cultivate collaborations with transport providers and recognise that lower-emissions transport might require further financial investment compared to conventional fuel alternatives. We are exploring options for on-site electric vehicle charging and optimising our transport network.
- We will scale our work to support our suppliers to procure to renewable energy. We will continue to advocate for policies and regulations which will incentivise the renewable energy sector and enable PPA agreements ([page 77](#)).

- We will continue our work with suppliers to improve energy efficiency and electrify where possible, increasing support for introducing process shifts such as waterless dyeing. To incentivise change, we will continue to increase business with suppliers with good climate performance and decrease business with suppliers who are unwilling to take action.
- We aim to develop our approach to beyond-value-chain mitigation.
- To accelerate decarbonisation of our logistics, we will create internal tools to measure how different scenarios would impact emissions in our network and integrate these into our procurement processes. Based on the results, we will work to incentivise progress from our business partners.
- The SBTi's Forest, Land and Agriculture (FLAG) assessment, to guide companies to set science-based targets that include land-based emissions reductions and removals, will support our work.
- Ending tropical deforestation is essential for meeting the global climate goal, supporting livelihoods and protecting biodiversity. We aim to sign an offtake agreement with LEAF next year, which would provide us with carbon credits through forest protection. These credits will not be used to meet our emission reduction targets and instead will form part of our contribution to the global net-zero goal.



# Water

Droughts, floods, and increasing demand for water are currently among the greatest challenges facing our planet. Global textile production is estimated to use around 93 billion cubic metres of water annually, making fashion one of the most water-intensive industries. We echo the Water Commission's call for urgent collective action on water, and WWF's push for transition plans that interconnect climate and nature, and emphasise how floods, droughts and rising sea levels are part of climate change.

We are scaling up our water stewardship efforts as part of our work with WWF, and we welcome new regulations that drive widespread progress on water. We are part of the Science Based Targets Network's pilot for setting science-based targets for freshwater, and in 2023 we contributed to The Fashion Pact's sector primer report on this topic.

In 2022, we achieved a 38% reduction in total water consumption, compared to a 2017 baseline — close to our 40% goal. The results relating to water recycling and efficiency encouraged us to take an even more challenging goal to decouple our growth from water. In our new 2030 water strategy, we expand the scope relating to raw material production and our own operations, building on our success from the supply chain. In the long term, we aim to explore the freshwater impact of the product customer use phase, once the methodology is mature.

Our current goals and data include tier 1 and tier 2 supplier facilities with wet processes where we have a significant impact on water quality and quantity. Our ambitious targets for absolute freshwater reduction are already resulting in increased water recycling and an overall reduction in freshwater consumption. This is mainly driven by our continued work on efficiency and recycling, supported by our lower stock in trade. In the coming years, we will scale up and incentivise innovations in production processes, and set up

a water stewardship framework to support the resilience of the wider fashion industry.

Our 2030 goals are:

- **Scarcity:** Reduce absolute total freshwater extraction and consumption use in our value chain by 30% against a 2022 baseline.
- **Quality:** Treat all wastewater produced in the supply chain in a way that does not adversely affect the receiving water body due to discharged effluent, and ensure our business partners continue to publicly disclose discharged water quality performance on a regular basis.
- **Governance:** Strengthen water-related governance in all relevant regions/basins together with our business partners.
- **WASH (water, sanitation and hygiene):** Within high-risk basins<sup>1</sup> where our suppliers operate, contribute to the population having sufficient, affordable, accessible, climate-resilient WASH that is acceptable to the people using it.
- **Flooding & climate-induced disaster:** Together with our business partners, co-develop and execute a programme that contributes to the reduction of local flooding risks and other extreme climate events within flood-impacted regions.

## Progress

- In absolute terms, we have reduced our freshwater consumption by 14% compared to 2022 against our goal of a 10% reduction by 2025. Freshwater share in our supply chain reduced to 84% compared to 87% in 2022, with the recycled water increasing to

<sup>1)</sup> As defined by the water risk assessment with WWF water risk filter.

16%. We are scaling up our efforts relating to water recycling in regions where the recycling rate is either too low or there is no business case yet. We will continue to pilot and support demonstrative projects to further encourage water recycling. We are also exploring solutions for reusing water from one production process to another process, and for using rainwater.

— We set a detailed water efficiency baseline for our wet processing facilities in tier 1 and 2 of our supply chain, including benchmarks for specific processes, products and materials. Each facility reported their water efficiency level based on production volume and type of production. Our water efficiency benchmark is now integrated into our supplier performance system. We are looking to make this open source to incentivise change in our industry, through collaboration with other brands or via the ZDHC (Zero Discharge of Hazardous Chemicals) competence centre.

— We collaborated with GIZ Bangladesh on a water efficiency improvement programme for 50 of our suppliers, mainly dyeing and finishing factories. Over the next year, suppliers will receive support with capacity building and integrating no-cost to low-cost solutions. They will also have access to an e-learning training programme on cutting-edge processing techniques and water use reduction technologies.

— In 2023, we expanded the conventional pollution parameters in our water quality goal,<sup>2</sup> aligning with Science Based Targets Network methodology. 93% of facilities now meet foundational targets, a significant improvement from 74% in 2022. Effluent

<sup>2)</sup> In 2023, we added Total-Nitrogen, Total-Phosphorus, pH, and Temperature in Water Quality test performance including BOD, COD and TSS.



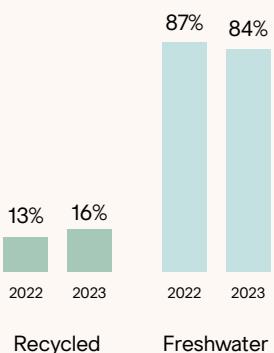
## 2023 data

### Water — goals<sup>1</sup>

	2022 (BASELINE YEAR)	2023	GOAL
<b>Scarcity:</b> % absolute reduction of freshwater extraction and consumption against a 2022 baseline	-	-14%	-10% by 2025 and -30% by 2030
<b>Scarcity:</b> % of freshwater share in supply chain	87%	84%	
<b>Quality:</b> % of facilities with direct discharge that meet prioritised ZDHC Conventional Parameters — Foundational Level	74%	93%	100% by 2025
<b>Quality:</b> % of facilities with indirect discharge meet requirements for pollution load and wastewater volume	-	100%	100% by 2025

1) Reporting now includes tier 1 and 2, Q1-Q3 2023

### Sources of water consumption



### Reducing water use in our own operations

Although the majority of our water use occurs in our supply chain, it is important we make improvements in our own operations to reach our water reduction goals. For example, to reduce freshwater use in our distribution centres, we have started harvesting rainwater, using rainwater in our toilet flushing systems, and installing fixtures to reduce water usage.

Treatment Plant (ETP) functionality assessments with green grade were slightly down to 89% compared to 90% in 2022 (see [page 83](#)), since we enhanced our requirements and testing protocol for these assessments.

- As part of the [Alliance for Water Stewardship \(AWS\) Impact Accelerator](#) initiative in Dhaka, Bangladesh, representatives from 15 of our supplier facilities completed AWS system training and a catchment assessment and started engaging with key local stakeholders. These steps will help build a stronger understanding of catchment and shared water challenges. Next, participants will undergo a site-specific analysis and attend a knowledge-sharing workshop to identify opportunities for water stewardship action.
- We collaborated with the Sustainable Apparel Coalition (SAC), brands and manufacturers to develop the Higg Facility Environmental Module (FEM) 4.0 with targets for water and wastewater management. Our tier 1 and 2 suppliers will report against this new version from next year.
- To reduce freshwater consumption, we are accelerating our investments in waterless or water-efficient processes in our supply chain business partners' facilities.
- We are supporting the [Corporate Water Leaders Group](#), facilitated by [Global Water Intelligence](#). Led by water leaders from fashion and homeware brands, the group is developing a water action framework to help brands and their supply chain partners build operational resilience and mitigate water impacts.
- In 2023, we increased our supply chain inspections and identified effluent treatment plant (ETP) performance as an area of improvement — visiting more than 500 facilities with wet processes and/or on-site ETPs. Next year, we will roll out a new protocol that will allow us to perform unannounced tests on wastewater from all on-site ETPs, as an improved measure to ensure compliance with legal and ZDHC requirements. We are also collaborating with the ZDHC to develop evaluation and training for ETP operators and supporting the ZDHC alongside other fashion brands to develop an ETP efficiency protocol for our sector.
- Innovation is needed to disrupt textile manufacturing processes and support step changes in water efficiency and quality. H&M Group Ventures invested in technologies such as [Alchemie Technology](#) and [Colorifix](#), which will significantly reduce water consumption in production.
- We require all our tier 1 and 2 suppliers to comply with national legislations and ZDHC standards for wastewater treatment and discharge water quality. Although our relevant suppliers made progress in improving wastewater quality, we recognise the need for systemic change beyond individual factories. We are committed to our water stewardship work with WWF to progress towards improving water quality at a basin level. We are working on the Water Stewardship framework for H&M Group supply chain business partners, which we plan to pilot in 2024.
- We will analyse the 2022 baseline and 2023 performance for our top tier 1 and 2 suppliers and devise a roadmap, focusing on water efficiency improvements, reusing process water in production, and greywater solutions.

- In 2024, we will set a baseline for freshwater consumption in the raw material phase, with a focus on cotton. We will engage with stakeholders to define a methodology and analyse options to reduce freshwater consumption in line with our absolute freshwater reduction target.
- We are in the process of developing a holistic WASH programme, which will initially focus on improved performance in supply chain facilities before expanding to community-level engagement.
- In 2024, we plan to develop a framework of action for flooding and climate-induced disasters and look at possible solutions to mitigate risk in our supply chain. Read more about our climate strategy on [page 16](#).
- In 2024, we will assess the impact of water in our own operations, to align with the EU Corporate Sustainability Reporting Directive (CSRD). [Initial assessment suggests](#) that our water consumption and our impact on freshwater and water quality in our operations is low.



# Biodiversity & land

Biodiversity loss threatens the health of our planet and our communities, and the security of our industry. Healthy ecosystems with fertile soil, flourishing forests, quality air and water, abundant pollinators and resilience to floods, fires and droughts are fundamental to supporting life on Earth — as well as to producing the natural materials we need to make our products.

Our ambition is to contribute towards the global goals for biodiversity by following the Avoid, Reduce, Restore, Regenerate, Transform (ARRT) framework. Stopping the conversion of ecosystems away from their natural state is our biggest priority, and we are investing in reforestation and regenerative agriculture projects (page 28) to halt biodiversity loss and protect nature. We are also focusing on shifting to recycled or sustainably sourced materials (page 36), scaling customer-facing circular business models (page 44) and working to adjust supply to demand (page 34).

Biodiversity and land reporting is still in the process of being developed — we need collaboration to improve traceability, measurability and comparability, and to set meaningful targets. We are working to improve comparable impact analysis and target setting through our involvement in the Science Based Targets Network (SBTN) pilot (page 29). H&M Group was one of the first signatories to Business for Nature's campaign calling for mandatory disclosure of impacts and dependencies on nature.

We support and are preparing to comply with emerging legislation such as the EU Corporate Sustainability Reporting Directive (CSRD), which should help to standardise biodiversity reporting. We are following the development of biodiversity credits, which companies can use to support long-term nature protection and restoration projects, as a potential tool for us to invest further in support of thriving ecosystems.

Collaboration with governments, NGOs, peers and financial institutions is essential in this complex and evolving area. Through our partnership with WWF we address environmental impacts across our value chain and provide fundraising and advisory input for the global Biodiversity Stewardship Programme. We are part of the LEAF (Lowering Emissions by Accelerating Forest Finance) Coalition, a public-private initiative to mobilise large-scale financing to countries committed to making ambitious reductions in tropical deforestation (page 23). Our Fashion Pact membership supports our work to reduce impacts on nature, and we are part of the Regenerative Production Landscape Collaborative, which brings brands, governments, farmers and civil society together to promote regenerative agriculture and sustainable sourcing. We are also part of Business For Nature's Business Advisory Group, and we sponsor the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). Read more about our memberships and collaborations.

Climate change, water impacts, resource use, biodiversity loss, and risks to people's health and livelihoods are highly interlinked. We must therefore address them holistically. Our work to support biodiversity and natural ecosystems is bolstered by our efforts to reduce GHG emissions (page 16), our journey towards zero discharge of hazardous chemicals (page 30), our collaborations to address shared water challenges (page 24), our work to mitigate adverse human rights impacts (page 54) and our materials goals (page 36).

We disclose additional details on our biodiversity, climate, forests, and water impacts, and our progress and mitigation plans, through the CDP. We also report biodiversity impacts through the Dow Jones Sustainability Index, the Textile Exchange Corporate Fiber and Materials Benchmark, and the Sustainable



© WWF/Pcanto

Apparel Council (SAC)'s Higg Brand and Retail Module (BRM).

## Progress: avoiding conversion of natural ecosystems

- We were one of the first signatories to the Deforestation-Free Call to Action for Leather, co-led by Textile Exchange, Leather Working Group (LWG), and World Wide Fund for Nature (WWF), which asks brands and retailers to commit to sourcing their bovine leather from deforestation-free supply chains by 2030 or earlier.

- 81% of the wood, paper and cardboard in our packaging was from recycled or sustainably sourced materials. We aim to reach 100% FSC by 2025 (page 40). We only use man-made cellulosic fibres from suppliers who are ranked green in the Canopy Hot Button Report and thereby have a low risk of sourcing from ancient and endangered forests.

- In production markets where there are barriers to sourcing renewable energy, we are guiding our suppliers on selecting biomass feedstock with the lowest risk of adverse impact (page 22).

- We continue to encourage our supplier factories in Cambodia to use the WoodAI smartphone app to identify and avoid fuelling boilers with wood that

## Progress: supporting the transition to regenerative agriculture

Cotton and wool are two important materials for creating our products. Common methods of cotton cultivation can lead to soil erosion and water pollution from chemical use,<sup>1</sup> while wool production can threaten natural grasslands due to overgrazing and poor rangeland management.<sup>2</sup> We are committed to material sourcing that does not deplete and degrade natural resources or convert natural ecosystems. Therefore, we are supporting a transition to regenerative agriculture in our supply chain.

Regenerative agriculture is a holistic approach to agriculture that focuses on the interconnection of farming systems and nature. Regenerative farming practices can improve soil health, strengthen the resilience of farmers and enhance livelihoods, while also restoring natural habitats. As a result, these practices can improve biodiversity and community resilience to climate change, as well as securing future feedstock of important materials. Making this transition is central to our long-term materials vision and supports our goal for 100% of our materials to be either recycled or sourced in a more sustainable way by 2030 (page 36).

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 India, where most of our cotton is grown — to help farmers transition to regenerative practices. Our land footprint analysis showed that the large volume of cotton fibres we source from India has a significant land impact, and that the wool we source in South Africa has a large impact on biodiversity, since the land used for grazing has a high conservation value.<sup>3</sup> We are working towards three main goals:

- **Landscape-level engagement:** Thriving biodiversity goes beyond farm-level engagement

<sup>1</sup> <https://www.worldwildlife.org/industries/cotton>

<sup>2</sup> <https://africa.panda.org/?41082/Biodiversity-and-fashion---whats-wool-got-to-do-with-it>

<sup>3</sup> <https://www.proagrimedia.com/news-events/hm-group-and-bkb-initiate-project-to-promote-on-farm-regeneration-and-biodiversity-restoration-across-south-africa/>

and requires a holistic approach to an entire landscape. We are investing in projects that help with land conservation and restoration and support farmers to transition to regenerative practices. Some of our target landscapes have been specifically selected for the positive impact they can have on nearby protected areas.

— **Finding scalable solutions:** To create lasting change, we are collaborating with partners to establish regenerative agriculture best practices that can become widely adopted within and beyond our own supply chain.

— **Enabling customer choices:** We want to help our customers make informed choices. By increasing our use of cotton certified by regenagri or the Regenerative Organic Alliance (ROA), and wool certified by NATIVA™, we can verify that the materials in our products are created using regenerative farming practices.

### Highlights: cotton

We are currently engaged in five projects with the combined aim to support more than 134,000 cotton farmers to adopt regenerative practices in India. Here we share some highlights from the year.

Through our project with Laudes Foundation, IDH The Sustainable Trade Initiative, and WWF India we are working to support smallholder farms to transition to regenerative practices in Madhya Pradesh state, to conserve and enhance natural resources. The project aims to move farmers from a single commodity to a multicommodity supply chain, building community resilience through systemic change driven by local ownership and governance. In 2023, we trained farmers in regenerative practices. Farmers irrigated facilities using farm ponds, diversified crops by cultivating vegetables and small orchards, and introduced poultry management, which helps to regenerate soil. We are also developing value chain clusters for key crops such as vegetables and pulses.

Our Regenerative, Ecologically and Economically Viable Agriculture (REEVA) project with WWF aims to help smallholder farmers to remain profitable through enhanced business practices and increased resilience, so that this cotton producing area can continue to serve as a functioning critical corridor for tigers and other wildlife. The first harvest season after implementing regenerative farming practices showed a reduction in pest populations and provided cost savings compared to conventional farming in the area. WWF also set up Farmer Producer Groups and works with women's self-help groups to share practices, participate in training and increase access to markets, as well as establishing community bioresource centres to generate natural inputs for regenerative farming practices.

We are piloting growing regenerative organic cotton certified by regenagri, to test the scalability, impact and cost of the regenagri model. In the second year of our regenagri partnership project with Amiha Agro in India, farmers applied compost and manure to improve soil fertility, and used locally produced natural pesticides.

We joined a project with the Better Cotton Growth & Innovation Fund and WWF India, which aims to develop a regenerative agriculture model for smallholder farms that can be replicated by project partners in India and beyond. At this early stage, we prioritised practices that are easily adopted and immediately effective in enhancing soil health, such as using organic matter compost and biological alternatives to synthetic fungicides.

With the aim to create scalable models for regenerative agriculture, we joined The Fashion Pact's Unlock Cotton pilot, which is set to scale globally next year. The project will create incentives for cotton farmers in the US and India to apply low climate impact and regenerative farming impact measures, tracking farmer livelihoods, biodiversity, soil health, and water.

### Highlights: wool

We are engaged in three projects with the aim to support more than 1,120 wool farmers in transitioning to regenerative practices. These projects also involve landscape-level engagement to help us understand the wider obstacles these farmers are facing and contribute to making lasting landscape improvements.

Our project with BKB in South Africa aims to develop scalable models for working with farmers to deliver positive land management with conservation, restoration and regenerative outcomes. In 2023, we conducted a detailed baseline assessment on 35 farms, and we are in the process of selecting and preparing an additional 50 farms for assessment. We also identified strategic areas to replant a crucial thicket species with high carbon sequestration potential and key ecological value, and we demarcated areas with rare or endemic species into botanical reserves.

Through a project with WWF, we are working to encourage sheep farmers in the Eastern Cape Drakensberg area of South Africa to adopt more regenerative grazing practices in and around the area earmarked for the Grasslands National Park. This will contribute to protecting and restoring a critical water source area and biodiversity haven. In 2023, more than 120 large-scale commercial farmers and small-scale communal farmers engaged in conservation agreements. WWF also hosted learning workshops and training sessions for farmers on regenerative agriculture and cleared land with an invasive plant infestation that was negatively impacting river systems.

In 2023, we joined a project with NATIVA™ to support farmers transitioning to regenerative practices in Argentina. NATIVA selected the farms and the expert organisations that will be involved in the on-farm implementation and baseline analysis, which will begin next year.

could only have come from natural forests. In 2023, we ran several sessions with WWF to introduce four other clothing brands to the WoodAI app and raise awareness of forest conservation with factory representatives in Cambodia.

- Our project with WWF in Indonesia aims to reforest degraded forestland, providing a sustainable source of income for local communities through rattan production and connecting patches of forest that are critical for orangutan habitat. In 2023, Habangoi community members signed an agreement letter for our project, and WWF secured collaboration with the Forest Management Unit of the local government. A seedling nursery for forest enhancement was prepared and is being maintained by the local villagers supported by WWF and the Forest Management Unit.
- Our CDP Forest scores were C for Cattle Products, C for Timber, and D for Palm Oil. These fell significantly from 2022, when our respective scores were B-, B and B. Since the results were released close to publication of this report, the decreased scores have not been fully analysed. Regarding specific actions since 2022, we have made further progress in all three areas. This includes our commitments on deforestation free leather ([page 40](#)), progress on viscose and FSC-certified sourcing ([page 40](#)), and our continued small-volume sourcing of 100% segregated RSPO-certified palm oil.

## Progress: reducing our footprint

- We increased our share of recycled or sustainably sourced materials to 85%, including 25% recycled materials.

- To decouple resource use from business growth, we continued testing and scaling circular customer offerings such as resale and rental ([page 44](#)).

## Progress: engaging in industrywide transformation

- We are one of 17 companies piloting the [SBTN](#) method including the target validation process for land and freshwater. We analysed our direct operations and upstream supply chain, and we collaborated with WWF on assessing the state of nature through the WWF risk filter suite to identify which of our activities are putting pressure on environments and ecosystems. Together with other fashion brands involved in the pilot, we addressed and further emphasised key industry issues related to the analysis — including data availability, traceability, and identifying pressure factors.
- In 2023, we were among a group of brands supporting Textile Exchange's piloting of Impact Initiatives, one of the Leather Impact Accelerator (LIA) tools, designed to help the industry address the core challenges in leather production. Through this pilot, we invested in Impact Partnership Incentives to financially support an approved programme partner in their work helping cattle farmers in Brazil to have their farms third-party verified as deforestation / conversion-free according to the LIA DCF Protocol.
- We contributed to Business for Nature's report [Fashion and apparel: Priority actions towards a nature-positive future](#). The report advises brands to acknowledge the value of nature to their business and sets out priority actions that businesses should take to avoid and reduce their impacts on nature, restore and regenerate the

state of nature, and transform underlying systems to address the drivers of nature loss.

## Learnings & future focus

- Regenerative agriculture is a key part of our materials vision and is still an emerging area of work. Our current regenerative projects are helping us to understand more about possible outcomes, how to measure them, and how to scale these practices beyond a project level. Building relationships and trust with farmers and their communities and working with partners with the right local knowledge and reach is essential. Establishing common definitions, understanding how best to scale initiatives, and finding new financing models will also be important catalysts for progress.
- We will continue to work on projects that protect, restore and regenerate nature, and prioritise scalable solutions based on what we learn.
- We need to develop our existing sustainability work using the SBTN framework and secure due diligence for potential nature-related targets. We aim to further evaluate the [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#) framework, and our SBTN pilot analysis will be a good foundation for this work.
- We are continuing to refine our materials agenda, which includes preferred fibres and regenerative practices ([page 36](#)), and our circular strategy ([page 32](#)).
- Reducing landfill will help secure the health of land and water ecosystems and support thriving biodiversity. We are exploring solutions to avoid landfill use, including resale and chemical and enzymatic recycling of post-consumer waste ([page 40](#)).



# Chemicals

Progressive chemical management is essential to reducing our value chain impacts on climate and nature. The fashion industry faces an ongoing challenge with the transparency and traceability of chemicals in the supply chain. We welcome upcoming regulations, which will support our chemical strategy by shifting our industry towards further alignment — read more about relevant advocacy activities on [page 77](#).

Our [Chemical Management Roadmap](#) commits us to safe chemicals in our value chain through strategic collaborations with [AFIRM](#) (Apparel and Footwear International Restricted Substance List Management Group), [ZDHC](#) (Zero Discharge of Hazardous Chemicals), [ChemSec Business Group](#), and [Change Chemistry](#).

Our [Chemical Restrictions](#) include the [AFIRM Restricted Substances List](#) and the [ZDHC Manufacturing Restricted Substances List v.3.1 \(MRSList\)](#), which commit us to phasing out additional potentially harmful substances. To ensure we choose safe chemical substitutions, we use third-party hazard-assessed chemicals such as [Screened Chemistry](#) certified<sup>1</sup> chemicals where possible. We also require our textile and leather suppliers to implement the ZDHC Wastewater Guidelines and ZDHC Chemical Management System.

— To provide third-party verification of chemicals data submitted to the ZDHC framework, we piloted ZDHC InCheck Chemical Inventory List (CIL) Verification as an industry approved method for data assurance.

— In 2022, we began an industry collaboration to move beyond our textile products and develop an MRSList to restrict hazardous chemicals in material besides textiles. In 2023, we started to measure our supply chain performance against our own draft of this MRSList, and we will share our learnings with the ZDHC.

## 2023 data

	2020	2021	2022	2023	GOAL
Number and % of textile and leather suppliers enrolled in ZDHC programme <sup>1</sup>	553 (100%)	609 (95%)	619 (99%)	577 (98%)	100%
% Manufacturing Restricted Substances List compliance for chemical inputs <sup>2</sup>	88%	95%	97%	97%	100%
% Manufacturing Restricted Substances List compliance for wastewater <sup>3</sup>	99.9%	99.9%	99.9%	99.5%	100%
Number of suppliers enrolled in ZDHC's Supplier to Zero	-	-	237	340	-
Number of suppliers that have undergone ZDHC Chemical Management System Technical Industry Guide training	-	-	136	27	-
% Chemicals used that were assured to meet ZDHC requirements via the ZDHC Gateway	-	81%	88%	90%	-
% Use of screened chemistry in denim finishing	-	-	21%	14%	100%

<sup>1</sup> Scope covers wet processing units or heavy chemical use units in our textile and leather supply chain.

<sup>2</sup> Compliance tracked using the third-party tools BVE3, CleanChain and Bhive.

<sup>3</sup> Collective raw data from API transfer from ZDHC Gateway database.

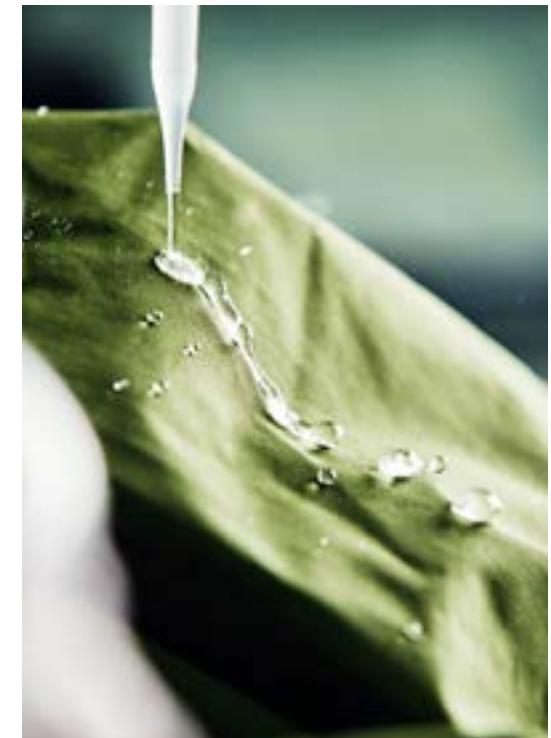
## Progress

— We were one of ten brands awarded “aspirational level” during the annual assessment of ZDHC’s [Brands to Zero leader programme](#), an achievement we have maintained for the third year in a row.

— Alongside working with our suppliers to maintain MRSList compliance (see table left), we worked closely with enrolled suppliers to increase the use of chemicals from the ZDHC Gateway — an online industry database of ZDHC MRSList-compliant chemicals. In 2023, 90% of chemicals used were assured via the ZDHC Gateway (88% in 2022). This increase is significant considering that ZDHC is upgrading its MRSList to include more hazardous substances — showing that our supply chain and the respective chemical industry are primed to evolve in line with stricter measures.

— To support capacity building of our supply chain chemical management systems, we enrolled 340 suppliers in the ZDHC’s Supplier to Zero programme and 27 suppliers have participated in the ZDHC Chemical Management System Technical Industry Guide training.

1) Certified by ToxServices and Scivera.



H&M Foundation

## Potassium permanganate phaseout

We met our 2023 goal to phase out potassium permanganate (PP) for 100% denim products one year early. PP is used to distress denim, and although it is not currently included on the MRSL, the NGO [Clean Clothes Campaign](#) has advocated for its removal, to protect the health of garment workers.

We used alternative chemicals, manual brushing and laser technology to replace PP. In some cases, we tweaked the fabric dyeing and finishing processes during manufacturing to make the fabric more laser sensitive, to fade the denim more easily.

Initially, it was difficult to find alternative chemicals. The alternative chemicals also pose their own challenges — they are transparent in colour, which makes them difficult to control during application, and they have an unpleasant smell. To fix these issues, we performed trials to understand the correct volume to use, and some companies added colour to the chemicals. To ensure worker safety, suppliers used engineering solutions to control chemical fumes and provided workers with protective gear.

We see that the wider fashion industry is also moving in this direction. Other large denim brands have been working to remove PP from their products using similar methods after [Jeanologia's Environmental Impact Measuring \(EIM\)](#) software classified it as a higher impact chemical. We are driving industrywide progress

by petitioning the ZDHC to add PP to the ZDHC MRSL, and PP is currently on the candidate list for the upcoming MRSL.



- We are contributing to the ZDHC's air emissions and waste guideline development to create clear guidance on pollution.
  - To work towards setting a goal for reducing the volume of chemicals used in H&M Group's supply chain, we have started internal benchmarking of our suppliers' chemical use.
  - We continued mapping the use of endocrine disrupting chemicals (EDCs) in our production, which we started tracking in 2020. Together with the wider fashion industry we are developing substitution strategies for these substances where relevant.
  - We developed a global strategy to evaluate the chemical content of pre- and post-consumer recycled materials, which can contain hazardous chemicals from their previous supply chains. This strategy will help us to identify at what stage of the supply chain we can intervene to take care of these chemicals and ensure safe products.
- ### Learnings & future focus
- Traceability of chemicals in supply chains and proper chemical management practices require stronger monitoring, and we need to balance third-party assessments with our own internal efforts. For example, scaling industrywide efforts such as the ZDHC InCheck CIL Verification will be challenging without careful monitoring from brands.
  - We are pushing for potassium permanganate to be included in the ZDHC MRSL to achieve an industrywide phaseout.
  - The Screened Chemistry method of assessing, scoring and certifying textile chemicals for human and environmental health characteristics proved to be a challenging methodology to scale for our whole supply chain, due to the variety of different chemicals used and a need of better transparency in the chemical supply chain. However, Screened Chemistry works well for our denim finishing production, which uses a smaller selection of chemicals. Levi's has made significant progress in identifying safer chemical alternatives through Screened Chemistry, which we promote alongside their company to our respective supply chains.
  - We are co-developing a ZDHC Aspirational Level for the Chemicals to Zero framework that describes which chemicals are safe to use and provide positive sustainability impacts such as resource efficiency and circularity.<sup>1</sup> When this is ready, we will implement it within our supply chain.
  - We are developing a strategy to reduce the volume of chemicals in our supply chain and coupling it with other resource efficiency efforts related to climate and water.
  - We will strengthen our collaboration with stakeholders to accelerate the methodology of safe chemical substitution and development, with the aim to scale transparent chemical hazard assessment within our supply chain.

<sup>1</sup>) We will further define what we mean by circularity in this context in 2024, with a focus on making the end product easier or safer to recycle, as well as for chemical products such as dyes to be reused.

# Resource use & circularity

Resource depletion is a major global risk to people, the planet and our business. As an industry we must reduce the quantity of resources we use to limit the environmental impact and protect natural systems. It is vital we reduce H&M Group's total use of, and dependence on, virgin materials and decouple growth from resource use.

To achieve this, we need to optimise our business at the same time as building a circular ecosystem — designed to circulate products and materials at their highest value and to generate diversified revenue streams. Accomplishing more with less is key for building a resilient business.

We will do this by maximising the use of existing products and materials, increasing the productivity of processes through material efficiency, and further optimising supply to match demand. As we reduce overall resource use, our focus will be on finding ways to increase revenue, for example by scaling circular business models and investing in and scaling recycled materials.

## Our journey towards a circular ecosystem

In collaboration with partners we are building a circular ecosystem that has many interconnected components. Each component relies on and impacts different actors, with different levels of maturity, and different challenges and opportunities.

Our circular ecosystem focuses on three interconnected areas:

- **Circular products:** creating products that are made to last using safe, recycled, regenerative or sustainably sourced materials that can circulate multiple times.
- **Circular supply chains:** building scalable systems that circulate products and materials for repair, reuse, remake and recycling and that use lower-impact production processes — such as dyeing, printing and finishing.
- **Circular customer journeys:** providing convenient ways for our customers to engage in circular fashion where products are used more before being repaired, reused, remade and recycled.

H&M Group is a strategic partner to the Ellen MacArthur Foundation and we align with its vision for a circular economy to eliminate waste and pollution, circulate products and materials at their highest value (see [page 33](#)) and regenerate nature.

The policy landscape is shifting, and we support regulatory changes that will enable and accelerate the much-needed systemic change of the fashion industry. We believe upcoming EU legislations such as the Waste Framework Directive's Extended Producer Responsibility (EPR) requirements for textiles and the Ecodesign for Sustainable Products Regulation (ESPR) can be part of this vital shift, and can support us as we transition towards a circular ecosystem.

The industry is transforming, and we are making progress on our journey towards a circular ecosystem. We will continue to learn, evolve and develop as we strive towards decoupling growth from resource use.



## A circular fashion ecosystem

We focus on integrating circularity across our entire ecosystem by building on the synergies and interconnections of all parts of our value chain.

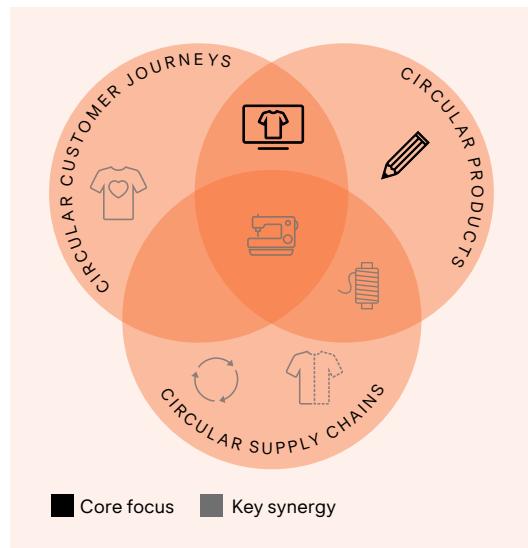


## Circular ecosystem in action

Building a circular ecosystem is a continuous journey with many interdependencies and synergies within and outside H&M Group. We have taken important steps on our journey towards circular products, circular supply chains and circular customer journeys — read more under each topic in the relevant sections of this report.

BUILDING BLOCK	ACTIONS
	We work to align supply and demand and to increase material efficiency. We invest in AI and tech tools for improved planning and accuracy, and customer centricity. <a href="#">(Page 34)</a>
	We have developed circular design guidelines and work to increase circular design for our products and assortments so they can be used more, be made to be made again, and made from safe, recycled and sustainably sourced materials. For example, we work with quality standards and requirements, are increasing the progress of the Jeans Redesign Project and are testing circular design strategies within our products and collections. <a href="#">(Page 34)</a>
	Our goal is for 100% of our materials to be either recycled or sustainably sourced by 2030, including the aim of 50% recycled materials. We test, invest in and scale more innovative materials through our brands, Circular Innovation Lab, H&M Group Ventures, and green investments — for example, investments in Infinitred Fiber Company, TreeToTextile, and Fairbrics — and bridge the commercialisation gap through our supply chain network. <a href="#">(Page 37)</a>
	We test, invest in and scale innovative production processes that can lower use of water, energy and chemicals — such as dyeing, washing and finishing — through our brands, Circular Innovation Lab, H&M Group Ventures, and green investments. These include investments in <u>Colorifix</u> and <u>Alchemie Technology</u> , and investments in pilots such as <u>Recycrom</u> . <a href="#">(Page 42)</a>
	We offer use and care advice, information and products across our brands to prolong the life of our products. <a href="#">(Page 44)</a>
	We offer remake advice, information and services across our brands to prolong the life of our products — for example through COS Full Circle and its partnership with The Seam, H&M Take Care, and ARKET repair partners. <a href="#">(Page 44)</a>
	We increase access to and invest in piloting and scaling customer-facing circular business models (such as resell and rental) across H&M Group in stores and online. These include Sellpy, H&M Preloved & Rental, ARKET Archive, COS Full Circle, COS Restore and COS Resell, and Weekday & Monki in-store second hand. <a href="#">(Page 44)</a>
	We work to scale technology and infrastructure to collect and sort products and materials — we collect used textiles at our brands and sort them so they can be circulated at their highest value for reuse and recycling. <a href="#">(Page 47)</a>
	We work to scale technology and infrastructure to recycle and circulate materials at their highest value for H&M Group and the industry. We invest in recycling technology and infrastructure with partners including Infinitred Fiber Company, Ambercycle, and more. We focus on textile waste in production, post-consumer textiles, and collaboration to advance progress. <a href="#">(Page 47)</a>

# Design & assortment planning



Moving to a circular ecosystem starts with how we design our products and plan our collections. The decisions we make at this stage determine the materials and processes we use, the expected lifetime of products we create for each assortment, and the potential for those products to be repaired, reused or recycled.

Lack of industry definitions has been a significant ongoing challenge in the scale up of circular design practices. Clear and feasible external guidance would support levelling of the playing field and contribute to the transformation of linear business models towards circular ecosystems. This is why we welcome upcoming eco design requirements in legislation (ESPR) and are actively involved in the Circular Design Consortium.

We are moving into the next chapter of our work towards circular design, fuelled by welcome

developments in the legislative landscape. We are currently taking time to consider our latest learnings and upcoming legislation, and to reevaluate our 2025 ambition to design all products for circularity. We will extend our timeline and take a sequenced approach, starting with preparing for legislation as a first step, while remaining committed to a long-term vision to create products fit for a circular economy “where products are made to be used more, made to be made again, and made from safe and recycled or renewable inputs”, as defined by the Ellen MacArthur Foundation (EMF) in its [vision of a circular economy for fashion](#).

We remain in partnership with the Circular Design Consortium, where participating brands continue working to establish their circular design roadmaps and strategically scale circular products using the EMF’s vision of a circular economy for fashion. As members, we collaborate with industry peers to share learnings and address shared challenges, and are currently working to determine the future scope of work. As a Strategic Partner of the EMF, we continue to collaborate with the Foundation’s Fashion Initiative and look forward to contributing to future projects.

## Progress: design

- We updated the external [Circulator Guide](#) with our latest learnings and case studies, aligning terminology with latest industry developments.
- As part of our next phase of work on circular design, we will continue to focus on strategies like durability, recycled content and recyclability — to meet, and in some cases exceed, upcoming legislation. Our brands continue to develop circular design roadmaps and several brands are working to integrate circular design in their products to identify gaps and opportunities to scale.

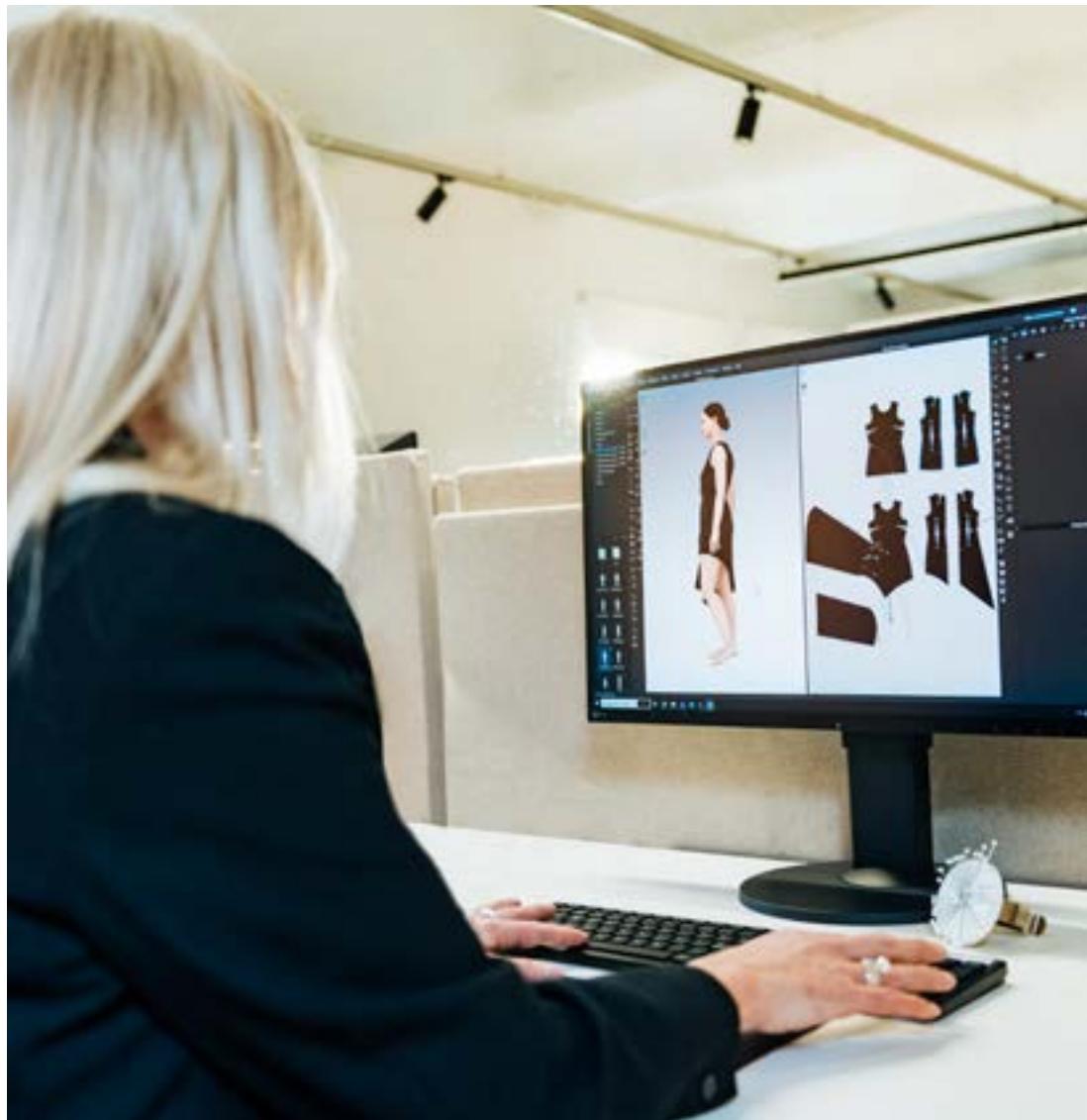
— Beyond focusing on material inputs, we consider how we put products together in a way that will enable them to circulate at high value, be used more and be made again. Our brands launched several collections designed for circularity and are actively working to understand how to integrate strategies in different ways, for example:

- Weekday continued to use and scale the EMF’s [The Jeans Redesign guidelines](#) across its collections. During 2023, 59% of the Weekday jeans assortment met the guidelines. Using what it learnt from being part of The Jeans Redesign project from 2019–2023, Weekday plans to continue to increase the share of its assortment meeting the circular design criteria for SS24.
- H&M continued to work with The Jeans Redesign guidelines on several core styles for menswear and Divided. Going forward, the brand will focus on changes across the full assortment including materials such as recycled cotton, lower-impact dyes, recycled threads and pockets, and lower-impact trims.
- Monki launched its first four pieces working with The Jeans Redesign guidelines. The brand also launched a dress collection made from 100% textile-to-textile recycled polyester, with all garments designed for adjustable fit, and a denim collection that is [mono-material](#), hardware free, and designed for durability and adjustable fit.
- & Other Stories is scaling several circular design strategies for knitwear across its collections. The goal is to improve quality and recyclability by increasing the number of garments made from mono-materials, and reducing the number of blends and synthetic fibres in blends. The brand is now exploring the integration of
- COS launched a process to begin analysing its top 20 products across several circular design criteria, with the aim to identify gaps, find solutions and scale a circular design approach.
- We continue to assess and address durability. We run wash tests for all our products to identify any significant changes to the product, as well as durability and strength tests based on risks like bursting, pilling, tears and seam slippage. In preparation for upcoming changes to legislation we are reinforcing our testing requirements and exploring system development to improve test result tracking.
- We are heavily involved with the Product Environmental Footprint (PEF) working groups, where we actively contribute to developing a methodology for durability, repairability and recyclability.

circular design strategies in its woven and jersey assortment, is looking at a durability wash test project and plans to further increase pattern efficiency.

**Progress: assortment planning**

- We developed and scaled a solution to automate buying for products that customers are likely to use over several seasons. We collect data on changes in customer demands, stock levels already produced, and garments already available to customers. By integrating this data in buying decisions and sharing data with our suppliers we can steer production and capacity planning to better match supply and demand.

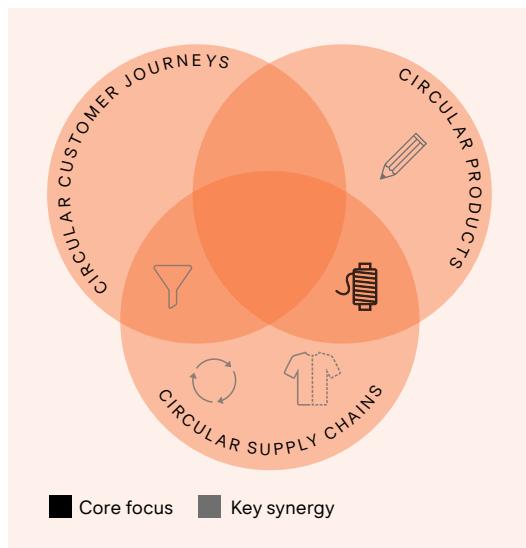


- To enable us to improve the relevance and precision of assortment planning before producing garments, we developed a method for customers to give early feedback on designs prior to production. Customer panels receive images of garments and provide suggestions on design and price points.
- Our combined AI enhancements are contributing significantly to reduced stock levels in relation to sales, while also reducing the number of physical samples we produce:
  - Our AI tool that enables products to be reallocated to areas where there is more specific demand was almost fully scaled across our teams during 2023.
  - We expanded use of our AI model for size and fit to nearly half our teams. The model predicts customer demand for clothing sizes in different markets, to optimise size-availability while minimising excess stock.
  - We continued to refine our demand forecast models by exploring how to generate more precise predictions for specific stores rather than at market level.

## Learnings & future focus

- Although transformation can take time, we have learnt through Weekday's promising Jeans Redesign performance that change is possible. Weekday will explore how to take its learnings forward to integrate circular design into other product categories. The environmental impacts of stretch fabric in jeans remains a problem because elastane is a disruptor for the recycling process yet the fit it provides is still a crucial aspect of functionality and is desired by customers.
- We recognise that designing more circular products in itself will not take us towards a circular ecosystem, where products and materials are recirculated at their highest value and resources are recovered once products are no longer usable. A systemic shift driven by action from multiple parties is required to scale the processes and infrastructure needed for transformation within sorting, recycling and reuse — for our own value chain and in the industry as a whole.
- As a next step in our circular design journey, we will focus on preparing for upcoming regulatory requirements of the Ecodesign for Sustainable Product Regulation (ESPR), as part of a sequenced approach towards creating products that can circulate at high value in a circular ecosystem.
- We will continue strengthening our product data availability, which will improve our understanding of circular design progress across several design strategies including recyclability and durability.

# Materials



The fashion industry is reliant on materials for products, packaging, and the built environment. We focus on choosing the right materials to decouple virgin resource use from business growth and to strengthen our resilience. This means increasing our share of recycled, regenerative and sustainably sourced materials. This approach is also key to addressing our other impact areas.

We welcome increased scrutiny of materials, standards and certifications used in the fashion industry. We aim for 100% of our materials to be either recycled or sustainably sourced by 2030, including 30% recycled materials by 2025 and a new ambition to reach 50% recycled materials by 2030. The other 50% of materials will be sustainably sourced by 2030.

including organic, regenerative and responsible raw material production methods. This includes our aim for 100% Responsible Wool Standard (RWS) compliant wool, 100% Good Cashmere Standard (GCS) compliant cashmere, and 100% of all leather products produced with chrome-free tanned leather by 2025. See relevant performance data on [page 38](#).

In addition to our goals for sustainably sourced materials and in line with our policies, we have a risk-based approach to all raw material sourcing. This means we have processes to identify and assess environmental and human rights risks linked to our raw material production, and we take appropriate measures to prevent or mitigate any severe impacts.

Our policies and strategies — including our Human rights Policy, Responsible Business Conduct Policy, Animal Welfare Policy, and our new Environmental Policy — guide our material choices, alongside guidance from Textile Exchange. Our sourcing decisions are guided by Textile Exchange's Preferred Fiber & Materials Matrix. See also our definition of recycled or sustainably sourced materials.

We invest in and scale sustainably sourced material solutions by partnering with innovators (see [page 37](#)). Through our brands, our Circular Innovation Lab, The Laboratory, and our investment arm, H&M Group Ventures, we're working to support development of innovative materials, recycling infrastructure, production processes and regenerative practices in agriculture. H&M Foundation also supports fashion innovation at an early stage. Our brands make strategic plans and commitments with our supply chain.

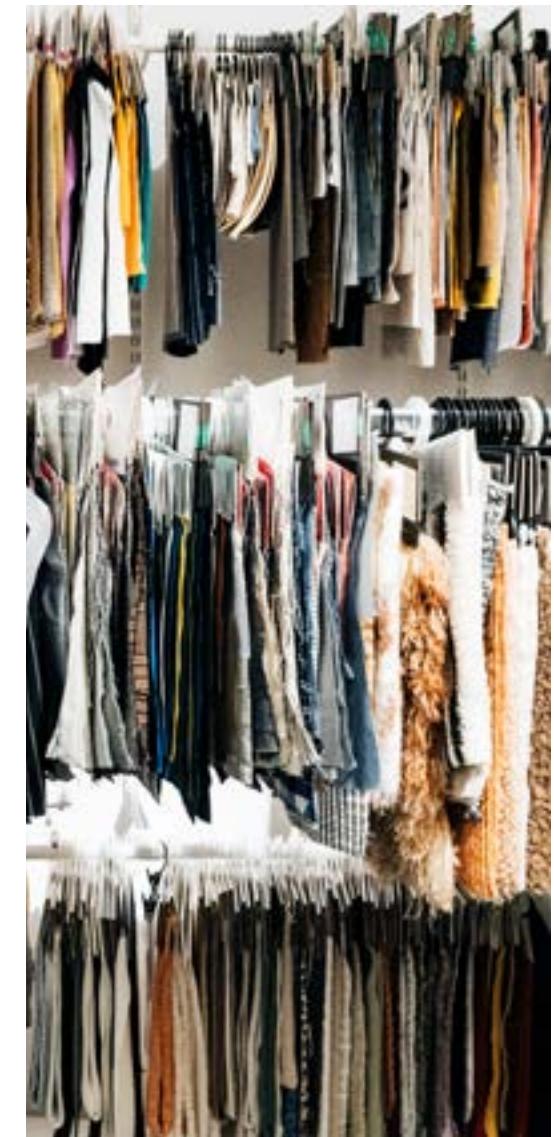
## Our materials vision

Our vision is to move towards a resilient and circular materials sector that stays within planetary boundaries, enhances livelihoods, and thrives on innovation.

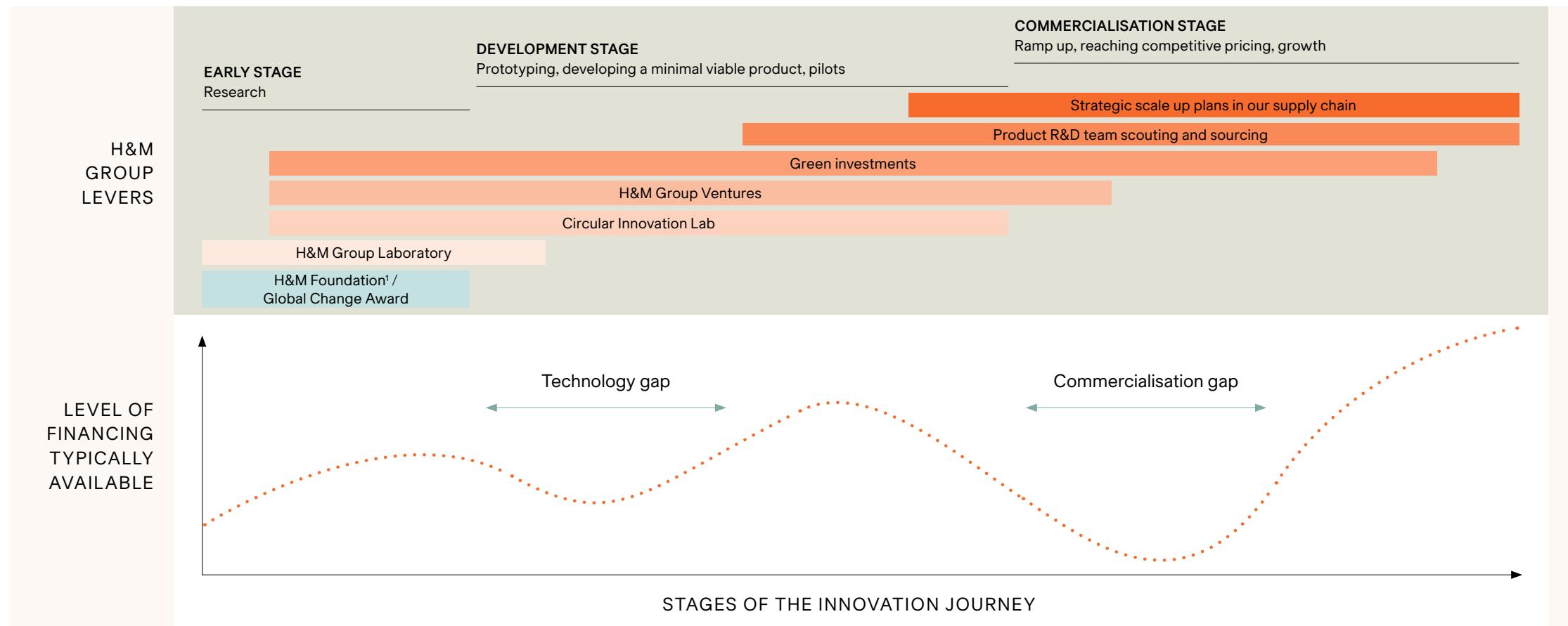
We take a progressive approach to materials, continuously evaluating our material choices to reflect the latest science, best practice, and knowledge. This ensures we can quickly respond to shifting materials markets caused by global events, and societal and environmental change.

Our vision is built on three pillars:

- **Recycled.** We prioritise post-consumer closed-loop recycled materials that can be reused and recycled again.
- **Regenerative.** Our key virgin materials should be produced using regenerative agricultural practices that help improve soil health and store carbon while enhancing livelihoods and ecosystems.
- **Responsible.** We source materials with the aim to reduce environmental impact, respect human rights and protect animal welfare. We have a risk-based approach in our raw material sourcing to avoid any severe negative impacts on human rights and the environment. This work is guided by the OECD Due Diligence Guidance for Responsible Business Conduct, as well as by relevant H&M Group policies, including our Responsible Business Conduct Policy, Environmental Policy, Human Rights Policy, and Animal Welfare Policy.



## Investing in material & process innovation



Investing in innovation is a core part of our strategy, and we therefore dedicate significant resources to this area of work across H&M Group. We take a holistic approach, with the aim to support promising innovators through the common gaps in funding that occur at the development and commercialisation stages. We work with innovators at the start of their journey through our investment arm H&M Group Ventures and our Circular Innovation Lab — read more on [page 10](#). H&M Foundation also supports fashion innovation at an early stage. To help bridge the commercialisation gap we continually support innovators to discuss material volume requirements with our brands and connect them closely to our supply chain network. Our brands make strategic plans and commitments with our supply chain. Our Green Investment arm engages at all stages of the innovation journey to fulfil our sustainability objectives through a cost-effective investment strategy.

<sup>1)</sup> The H&M Foundation is a global non-profit foundation dedicated to finding, funding and accelerating solutions for a socially inclusive and planet positive textile industry. The Foundation is privately funded by the Stefan Persson family — founders and main owners of the H&M Group.

## 2023 data

### Materials sourcing for commercial goods

	2020	2021	2022	2023	GOAL
% recycled or sustainably sourced materials <sup>1,2</sup>	65%	80%	84%	85%	100% by 2030
% recycled materials <sup>2</sup>	6%	18%	23%	25%	30% by 2025
% sustainably sourced materials <sup>2</sup>	59%	62%	61%	60%	-
% of total cotton that is recycled, organic, or sustainably sourced <sup>2,3</sup>	100%	100%	100%	100%	Maintain 100%
% of total cotton that is recycled	2%	7%	11%	11%	-
% of total cotton that is organic	20%	22%	14%	13%	-
% of total cotton that is sustainably sourced	78%	71%	75%	76%	-
% of polyester from recycled sources	21%	64%	74%	79%	100% by 2025
% of wool that is Responsible Wool Standard (RWS) compliant	12%	44%	57%	66%	100% RWS certified, or from recycled or regenerated sources by 2025
% of cashmere that is Good Cashmere Standard (GCS) compliant	13%	95%	99%	99.5%	100% GCS certified, or from recycled or regenerated sources by 2025
% of mohair that was Responsible Mohair Standard (RMS) compliant or from recycled sources	100%	100%	100%	100%	Maintain 100%
% of virgin down that is Responsible Down Standard (RDS) compliant	100%	100%	100%	100%	Maintain 100%
% of all leather products produced with chrome-free tanned leather, including vegetable tanned leather and metal-free leather	44%	51%	75%	83%	100% by 2025
% tanneries certified to the Leather Working Group (LWG) standard and that have undergone social audits as confirmed via LWG or passed H&M Group minimum requirements audit	-	80%	91%	79%	100% by 2024

1) 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.

2) See page 88 for an assurance statement relating to these data points. The limited assurance process includes commercial goods shell fabric materials and covers 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.

3) Sustainably sourced cotton includes cotton sourced through Better Cotton (BCI), in-conversion organic cotton, regenerative cotton, and cotton from other innovative sources.

### Accelerating & scaling innovative & recycled materials

Innovative technologies need support from all stakeholders in the industry from start to scale up. H&M Group has created an ecosystem together with innovators, approaching them at the right stage with the right support, while ensuring we can scale up and integrate these materials into our business when they are ready (see [page 37](#)).

**Our commitment:** We invest in technologies and scale up of innovative, recycled and sustainably sourced materials. In 2023, our total spend on recycled and sustainably sourced materials in the commercialisation and scale up stage, and on decarbonisation (e.g. energy efficiency investments in our stores and supporting our suppliers to phase out coal), was approximately SEK 2.1 billion (see [page 18](#)).

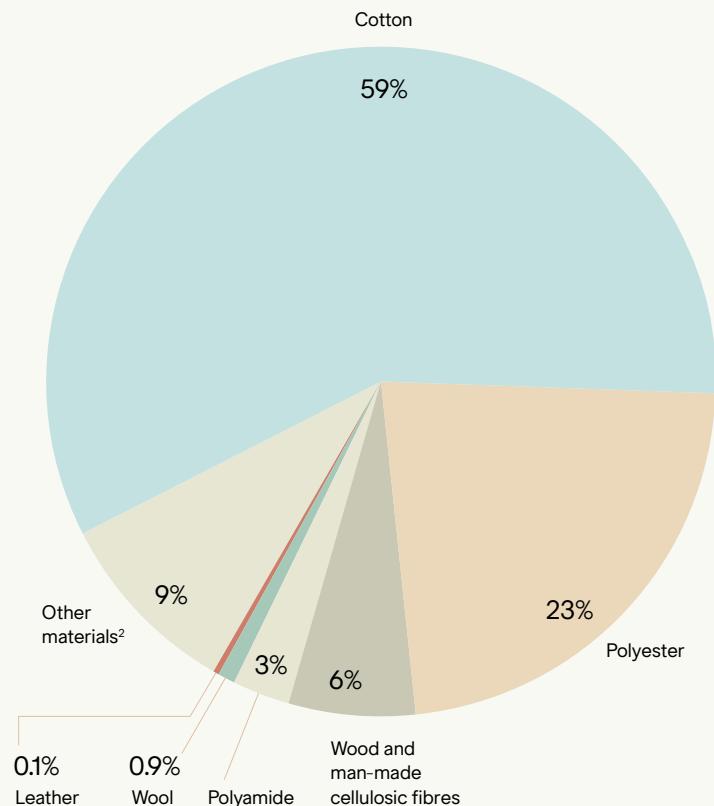
### Progress: overall

— We achieved 85% recycled and sustainably sourced materials in our commercial goods in 2023, a slight increase from 2022. Progress was largely due to scaling use of recycled polyester and Responsible Wool Standard compliant wool. We reached 79% recycled polyester as we continue to convert our polyester share away from virgin material and towards our goal of 100% by 2025.

— We strengthened our ambition for recycled materials. By 2030, we aim for 50% of our materials

## Our product materials basket<sup>1</sup>

Here we share the breakdown of textile materials included in our commercial goods. This does not include materials for packaging and the built environment — see pages [51](#) and [53](#) for the relevant goals and data on these topics.



<sup>1</sup> This includes commercial goods shell fabric materials, hence does not include materials used as filling, lining or trims on garments. Figures do not add up to 100% due to rounding.

<sup>2</sup> Includes commercial goods shell fabric materials such as acrylic, linen, jute and elastane.

to come from recycled sources, with the remainder to be sustainably sourced.

- We continued scaling up recycled materials to 25%, while supporting supply chain partners to increase their use.
- Textile Exchange's [2023 Material Change Index](#) identified H&M Group as one of six overall leaders (of 130 companies analysed). H&M Group was one of two companies that received a level 4 (leading) score on all three sections — Business Integration, Circular Economy, and Impact Areas.
- For information on our packaging and buildings materials progress, read pages [51](#) and [53](#).

## Progress: cotton

- We continued sourcing 100% recycled, organic or sustainably sourced cotton. Our 2030 vision and roadmap for a more resilient cotton sector centres around scaling regenerative practices in cotton farming. Regenerative agriculture is built around farming practices that improve soil health and make farmers more climate resilient. It integrates other social factors, such as supporting livelihoods and gender equality in cotton communities. We also work to increase our use of recycled cotton, increasing the quality and durability of recycled cotton, as well as scaling cotton alternatives.
- We engaged with [Better Cotton](#) to support cotton farmers in India to adopt regenerative agricultural practices. The three-year project aims to develop a regenerative agriculture model for smallholders which can be replicated by other Better Cotton programme partners. Read more about our [regenerative cotton projects](#) on [page 28](#).

— To improve cotton traceability, we are engaging with our suppliers to undergo Better Cotton trainings. The trainings support them to implement Better Cotton's new chain of custody standard.

- In 2023, our sourcing of Better Cotton contributed to:<sup>1</sup>
  - 40 billion gallons of water being saved.<sup>2</sup>
  - 93,175 kilograms of pesticides being avoided.
  - USD 32 million additional profit for farmers.
- H&M Group's support for projects with the Organic Cotton Accelerator and other organic cotton initiatives in India during the 2022–2023 crop season resulted in:<sup>3</sup>
  - 15,398 farmers involved in organic cotton projects.
  - USD 1.90 million in premiums received by farmers, supporting investment in organic farming.
  - 91% procurement by H&M Group brands of committed volumes.
- Our Circular Innovation Lab worked with Materra™ on its first cotton harvest, grown in a way that minimises water and pesticide use. We're supporting Materra in its development of a farming app and the onboarding of more farmers to use regenerative practices.

<sup>1</sup> Figures relate to use of BCI cotton, based on comparison with farmers using conventional practices in the same location.

<sup>2</sup> Water savings relate to blue water use (irrigation). This relates to farmer inputs, and no other forms of water use.

<sup>3</sup> Figures provided by Organic Cotton Accelerator.

- We are working with [ANDRITZ](#) on trials to upgrade recycled cotton. The trials use new mechanical recycling technology to increase the length of recycled cotton fibres.
- Our Circular Innovation Lab supported Keel Labs in the production of a seaweed-based fibre, with a similar feel to cotton. The first launch is planned with one of our brands in 2024.
- & Other Stories launched eight denim styles using 100% recycled cotton. ARKET released seven products using 100% recycled cotton and two using “[in-conversion](#)” cotton, produced by farmers moving towards organic practices.
- COS began working with a cotton farm in India to support adoption of [regenerative](#) practices as part of the brand’s long-term commitment to sourcing Regenerative Organic Certified® cotton. Read more about our projects to scale [regenerative](#) wool and cotton production on [page 28](#).

## Progress: synthetic materials

- We are continuously reducing our dependency on virgin, fossil fuel-based synthetic materials. In 2023, 79% of our polyester was from recycled sources, marking progress to our goal of 100% recycled polyester in 2025. As innovations in polyester recycling continue to progress, we are scaling our use of textile to textile polyester in our garments.
- H&M started scaling textile-to-textile recycled polyester in its products. Our other brands COS, & Other Stories and ARKET also launched their textile to textile polyester collections this year.
- H&M Group Ventures invested in [Kintra Fibers](#), an innovative materials science company that has

developed a new bio-based and biodegradable polyester. Our Circular Innovation Lab continues supporting the project.

- H&M Move partnered with [LanzaTech](#) to launch a capsule collection using captured carbon emissions.
- Our Circular Innovation Lab worked with [Ioniqa Technologies BV](#) and polyester suppliers to evaluate advanced recycled polyester. This includes [Sysav](#)’s automatic sorting of post-consumer textiles and Ioniqa’s recycling process to obtain high-purity polyester fibres, through to successfully producing virgin-quality 100% recycled yarn.
- Our Circular Innovation Lab collaborated with:
  - [Sparxell](#) to test cellulosic-based glitter and sequins to replace petroleum-based products.
  - [Humily](#) in testing enzymatic recycling of post-consumer textile waste.

## Progress: wood-based & MMCF

- Our 2025 wood-based and MMCF (man-made cellulosic fibres) goals include:
  - All MMCF to come from FSC- or PEFC-certified sources, or be replaced with fibres from sources such as agricultural residues and pre- and post-consumer textiles.
  - To source viscose in line with the Group’s commitment to the [Changing Markets](#) roadmap.
  - All wood and wood-based material in products and packaging to come from either FSC-

certified sources or be made of recycled material. Read more about our approach to packaging on [page 51](#).

- We continued scaling innovations within MMCF:
  - We financially supported the building of [TreeToTextile](#)’s plant. The first fibre has been produced in the plant. This means that the process has been tested all the way through fibre spinning, avivage,<sup>1</sup> drying, and cutting into staple fibre for the first time, marking a major milestone. H&M is participating in trials with TreeToTextile to optimise the spinning of several blends and qualities of yarn together with supply chain partners.
  - We invested in [Rubi](#), a former [Global Change Award](#) winner creating MMCF from industrial CO<sub>2</sub> emissions. Supported by the Circular Innovation Lab, Rubi is working to produce the first batch of fibre for evaluation within our supply chain.
  - & Other Stories, ARKET, COS, H&M and Weekday used Ecojilin™ — a filament viscose made partly from cotton waste.

## Progress: wool, cashmere, down, mohair & other animal fibres

- We increased the share of Responsible Wool Standard (RWS) compliant wool from 57% to 66%, and 99.5% of our cashmere is Good Cashmere

<sup>1</sup>) Avivage is a finishing process that improves the lubricity and friction of yarn to ensure a smooth production process. This treatment avoids high wear-out effects on production machinery, such as overheating of industrial sewing machines.

Standard (GCS) compliant. We continued to only buy from Responsible Mohair Standard (RMS)-certified farms and only source Responsible Down Standard (RDS)-certified virgin down.

- We engaged with [NATIVA™](#) on a regenerative wool project in Argentina, which helps to improve soil quality, enhance biodiversity and store more carbon in the soil, while supporting farmer livelihoods. COS and & Other Stories began sourcing NATIVA™ wool in 2023.
- In 2023, the majority of ARKET cashmere products were made of 75% recycled cashmere and 25% RWS-certified wool. The brand launched products made from 100% recycled wool and began using Responsible Alpaca Standard (RAS) wool. ARKET also launched products using [MWool®](#), a recycled wool made from recovered garments and textile waste.
- COS began using Responsible Alpaca Standard wool in 2023, and released collections using recycled wool, recycled cashmere, and recycled silk. & Other Stories began using RAS wool for all Alpaca knitwear.
- & Other Stories continued to use recycled silk and launched a recycled cashmere programme for accessories.

## Progress: leather

- 83% (75% in 2022) of all leather products were produced with chrome-free tanned leather, including vegetable-tanned leather and metal-free leather. This marks progress towards our goal of 100% by 2025.

- We are members of the [Leather Working Group \(LWG\)](#) and aim to only source from LWG-certified tanneries.
- We are one of the first signatories to Textile Exchange's [Deforestation-Free Call to Action for Leather](#). We aim to achieve deforestation and conversion-free supply chains across all our leather production and sourcing by 2030.
- In 2023, we were among a group of brands supporting Textile Exchange's piloting of Impact Initiatives, one of the Leather Impact Accelerator (LIA) tools, designed to help the industry address the core challenges in leather production — read more on [page 29](#).
- We mapped all tier 1 and tier 2 suppliers in our leather supply chain. In early 2024, we ran a traceability pilot to digitally map our leather suppliers up to slaughterhouse level.

## Learnings & future focus

- Moving great ideas and innovations to scale is an exciting but also challenging thing, and a lot can go wrong along the way. We were very sad to see that Renewcell had to declare bankruptcy in February 2024. We've been a minority shareholder in Renewcell for seven years and have supported them in various ways, from direct investment to ambitious off-take agreements. Unfortunately, this could not avoid the bankruptcy and clearly shows that broad support in both investment and off-takes are needed across the fashion industry and from other stakeholders.
- Industrywide impact and traceability data is essential to better measure impact and incentivise scaleup. We will increase focus on improving traceability to further understand impact and risk

at raw material production level. Read more on [page 12](#).

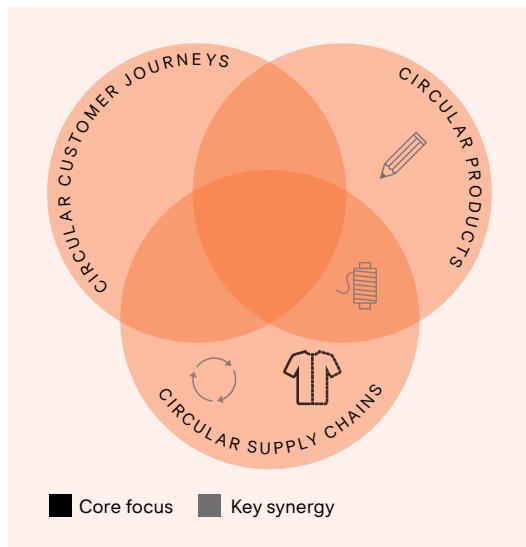
- There are technology, infrastructure, feedstock and finance gaps to commercially scale recycled fibres, and we are still dependent on pre-consumer waste. We are focusing on bridging these gaps but there are many interdependencies in the system.
- Our aim to reach 50% recycled materials by 2030 is ambitious, requiring innovations and solutions that do not yet exist. There is currently a low availability of suitable feedstock, insufficient tech infrastructure, and innovation gaps to secure high-quality, durable alternatives. Although there are many challenges, we are optimistic that infrastructure improvements and upcoming legislative changes will accelerate progress.
- There are several challenges to scale [regenerative agricultural practices](#). These include finding new financial models to support and incentivise farmers, measuring impact and obtaining long-term commitments from brands.
- Adhering to third-party certifications, like the [Textile Exchange standards](#), requires commitment and coordination internally, across H&M Group's supply network, and in conjunction with other standards stakeholders like certification bodies. H&M Group continues to use the chain of custody system as a best practice tool in verifying that the certified goods have moved through the supply chain with integrity.
- We will continue industrywide collaboration and advocacy to scale innovative and recycled materials and [regenerative practices](#) in fibre production, as well as supporting the development of necessary infrastructure. Continued investment in innovative technologies and infrastructure will



help the industry gather feedstock and convert it into usable material. We will focus on rapidly scaling textile-to-textile recycled fibres, including polyester.

- To develop and scale production of new materials and recycling innovations and infrastructure, we will:
  - Work with innovators through our Circular Innovation Lab to help test, evaluate and launch their products.
- Enable commercialisation by investing in startups and through long-term partnerships with a step-by-step approach to scaling up the usage of new sustainably sourced materials.
- Continue investing in entrepreneur-led startups to speed up and scale innovation, through H&M Group Ventures.

# Production processes



Production processes such as washing, pre-treatment, colouration (dyeing and printing) and finishing are significant contributors to the total emissions of a product, as well as the use of chemicals and water.

There is increased industry focus on reducing the impact of production processes and scaling alternatives with reduced environmental and social impacts, but we currently lack comparable data to determine baseline impacts and assess progress. Collaborative efforts to innovate and establish shared data collection methodologies are now more widespread and are crucial to advancing industrywide work in this area.

We are combining disruptive innovations with process improvements to develop a long-term plan for production processes, focused on reducing impacts related to energy, water, chemicals, production

waste and workers' health. These areas are all interconnected and a holistic approach is therefore required to address them collectively at scale, across all our production processes.

## Progress

- We developed new strategic partnerships and made investments in disruptive tech:
  - We will use primary data collected from our suppliers to create a baseline for production processes and develop a plan to reduce energy, water and chemical consumption on a process level. This will enable us to follow supplier progress and identify priority areas for process changes.
  - The majority of production process innovations provide solutions for a single step in the wet processing of textiles. To take a more holistic approach, we are evaluating end-to-end solutions by bringing innovators together in the fields of pre-treatment, dyeing and post treatment.
  - To explore a joint industry methodology for collecting data on wet processes, we are participating in and sharing our data collection methodology with a Sustainable Apparel Coalition (SAC) industry working group.
- We have made progress with other washing and dyeing innovations:
  - We are collaborating with Deven Supercriticals — developers of a technology that uses supercritical CO<sub>2</sub><sup>1</sup> to dye fabric in place of water

1) When CO<sub>2</sub> is kept at above or beyond its critical pressure and temperature it becomes supercritical CO<sub>2</sub>. In this state, it is a highly effective and absorbent solvent with many benefits for textile dyeing.

and other chemicals. This innovative tech will significantly reduce energy, water and chemical consumption compared to conventional dyeing processes.

- We launched successful collections using Recycrom, a dye technology which comes from discarded textiles after recycling.
- H&M Group Ventures continued to invest in Colorifix, a biotech company that uses biological processes to produce and fix dye on textiles. The lab-proven technology has been scaled to three markets. The resulting dyes are OEKO-TEX®-certified to the highest level, reducing the use of chemicals and water.

## Learnings & future focus

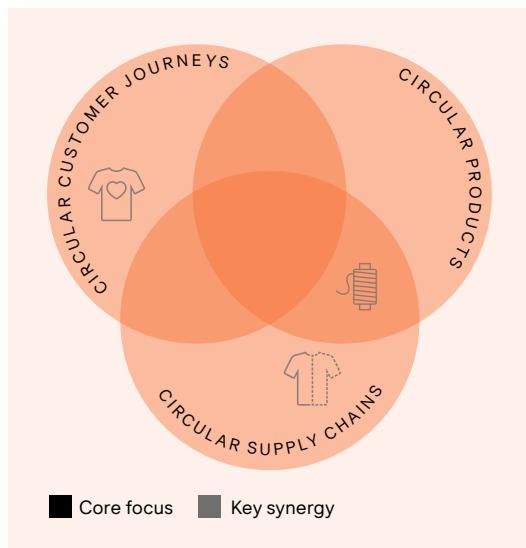
- With the aim of calculating production process impacts, we have started to create a baseline of water, energy and chemicals consumption for major wet processes. Ongoing data gaps remain, making it challenging to understand the actual impact of our processes. Collaboration is key to addressing this issue.
- Innovations across the full production process are needed to substantially reduce emissions. When we combine innovative technologies across pre-treatment, finishing and dyeing, we see significant savings in water, energy and chemicals. We will continue to test and pilot disruptive process innovations.
- New initiatives in production processes are required for testing and then scaling, but the industry is often reluctant to invest in the new equipment and favours proven technologies. Funding and expertise from brands collaboratively engaging suppliers can play a vital role in giving

suppliers the necessary confidence to run trials and reduce their risk. To reduce impact in our value chain we will collaborate with our high impact suppliers to identify methods of reduction that they can implement, and we offer them financial support to be able to speed up and scale.

- Our ultimate aim is to create a holistic roadmap to reduce the impact of our production processes.



# Microfibres



When natural or synthetic materials and garments are produced and washed, fibre fragmentation can occur. The tiny microfibres that shed can build up in the environment and damage marine, freshwater and soil ecosystems.

There is currently a lack of science-based methodology to measure microfibre shedding. More research is needed to understand the impacts that different environments have on microfibres, how different materials behave or 'shed', and the impact of chemicals on fibre fragmentation. We are also addressing this challenge by continuing to develop our Microfibres Roadmap, with a focus on research into production processes that reduce shedding, fabric and yarns that have minimal shedding, improvements to reuse and recycling technologies, and customer solutions such as laundry bags.

Research partnerships with industry peers are crucial in our efforts to identify and implement solutions. This includes our ongoing work with [The Microfibre Consortium \(TMC\) 2030 Commitment](#) — a global commitment to work towards zero impact from textile fibre fragmentation to the natural environment by 2030.

## Progress

- We continued our work to develop our Microfibres Roadmap, guided by TMC 2030 Commitment. We participated in the first [TMC Progress Report](#) and we contribute to the TMC industry database by sharing our test results on fibre fragmentation at a fabric level.
- Our work with Forum for the Future culminated in the publication of the report [Tackling Microfibres at Source](#). Published in February 2023, the report shares findings and recommendations for actions the fashion industry can take to reduce microfibre pollution.

## Learnings & future focus

- From our work with Forum for the Future we found there are no specific materials — for example synthetic versus cellulosic, or virgin versus recycled materials — that will shed more microfibres than others. The report's findings demonstrated that certain production processes that involve more force, such as conventional dyeing and washing, result in comparatively more fibre shedding. We see a clear opportunity for our brands to work with our suppliers.

- With these new insights, we will continue to develop a groupwide roadmap for microfibres and to engage with industry to call for less impactful production processes.

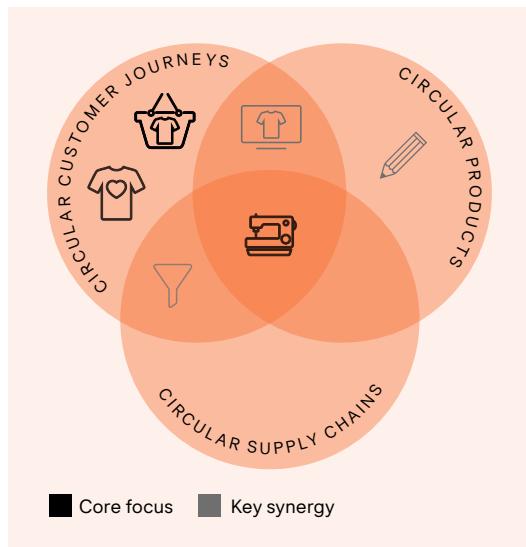
## H&M Foundation

H&M Foundation works with the Hong Kong Research Institute of Textiles and Apparel (HKRITA) on the [Planet First](#) programme. Planet First aims to find technologies that can contribute positively to all aspects of earth's natural support systems. All solutions and learnings are shared openly with the industry to ensure maximum impact.

One of the programme's key projects is [Acousweep](#), an innovative technology that separates microplastics from wastewater using soundwaves. It uses a physical separation and collection process, without any chemical or biological additives. The plug and play application can be easily transported and connected to any wastewater facility. If scaled, the technology will have a significant impact on the fashion and textile industry's footprint.



# Customer-facing circular business models



chains, such as inefficiencies and high costs. As an industry we need to establish more efficient handling processes and reduce costs by developing automated systems, improving infrastructure and optimising digitalisation. We are addressing these challenges in various ways including investing in innovations and infrastructure to facilitate the transition.

To maximise product use and support this shift, we focus on three areas: use, care and repair; access; and collect.

- Use, care & repair:** We encourage customers to explore their style and increase the use of their clothes, offering inspiration on how to prolong the life of their garments through care initiatives. We offer repair services at some of our stores and provide guidance and products to help customers repair their clothes. This supports our aim of maximising product life.

- Access:** We offer a range of reuse and rental services through which customers can experience fashion while enabling products to circulate. Our ambition is to mainstream and increase desire for second-hand fashion.

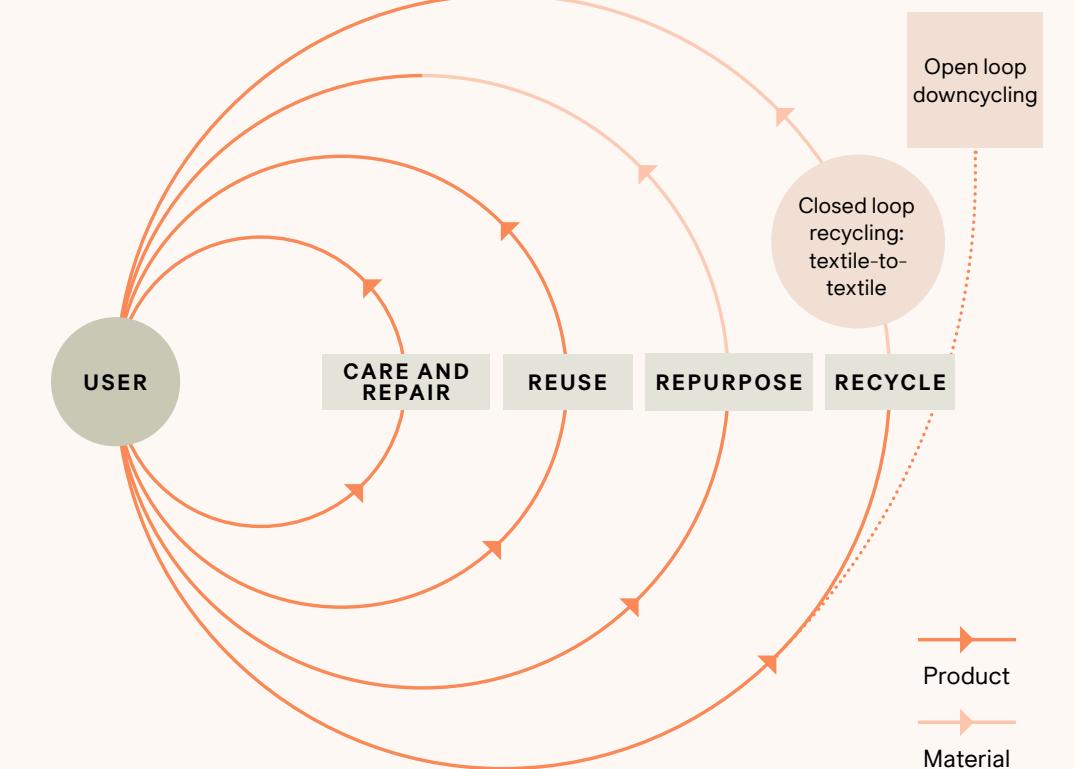
- Collect:** We offer our in-store garment collecting programme worldwide to our customers. Our aim is to ensure the collected products are sorted for the most suitable outcome, be that reuse as product, reuse as material, or recycling.

Customer-facing circular business models and infrastructure for collecting and sorting are key to decoupling revenue from resource use and to reducing our dependence on virgin materials. These models are also essential for securing a circular customer offer that is accessible and scalable — one that meets customer needs and expectations while ensuring products can circulate at their highest value. Establishing these models in the mainstream is vital for circular products and services to replace those developed through the traditional linear model.

Stakeholder and customer expectations are shifting and the demand for second-hand fashion is growing rapidly. Our aim is to support our customers to engage in repair, rental and resell services by improving access and increasing demand. As we develop the business case for repair, rental and resell, we acknowledge the challenges of scaling. There are ongoing challenges for circular business models value

By transitioning towards a circular ecosystem and enabling our customers to access fashion through circular business models, we can reduce the impact on people and planet, while increasing the resilience of our business.

## Customer-facing circular business models



Circular business models enable a product to circulate many times between users or customers. A product may be repaired, reused as a product (for example via a second-hand purchase), reused

as materials and remade into a new product, or recycled. Recycling can return materials to the fashion ecosystem (closed loop) or send them for use as resources in another industry (open loop).

## 2023 data

### Customer-facing circular business models

	2020	2021	2022	2023
<b>Use, care &amp; repair</b>				
Number of H&M online markets offering Take Care advice	88% (46)	85% (46)	100% (58)	100% (60)
<b>Access</b>				
Number of H&M Repair Stations	-	6	7	7 (in 5 markets)
Number of markets where customers can shop through / sell through Sellpy	-	24 / 4	24 / 7	24 / 8
Number of second-hand items traded on Sellpy	-	-	More than 8 million	10.8 million pieces
Number of markets (including stores and online) with resell	-	-	-	11
Number of stores with resell	-	-	-	23

### Progress: use, care & repair

- H&M's Take Care concept continues to be available in all global online markets, offering clothing care and repair ideas, and guidance to customers.
- COS began a partnership with The Seam in 2023 for alterations and repairs in the UK. This is in addition to an in-house tailoring service the brand has had in Cheong Dam since 2019.
- Unwanted garments are collected from customers through COS Full Circle, renewed and sold through COS Restore (see 'access' below).

### Progress: access

- Customers can now sell through Sellpy in 8 markets and shop through Sellpy in 24 markets. In 2023, more than 10.8 million second-hand items were traded through the platform. Launched in 2023, Sellpy Upcycled is a platform of limited collections created by upcyclers, artists and designers to increase the life of items that are no longer used.
- Our brands offer resell in 11 markets and 23 stores. This includes Resell from H&M in 11 markets, COS in 6, Weekday in 4, and ARKET and Monki each in 2 markets. 2023 highlights include:
  - H&M launched resell in physical stores in Barcelona and London.
  - Following the integration of Pre-loved on hm.com with Sellpy in Germany and Sweden, H&M has curated its second-hand assortment according to the latest trends with the aim of increasing customer access and demand. H&M Pre-loved spans all customer groups: Womenswear, Kids, Menswear, H&M Move and H&M HOME in these markets. The brand also runs numerous second-hand campaigns per year with studio archives, guest designers, denim and outerwear.
  - In the US, H&M launched H&M x thredUp, a collaboration with resale platform thredUP.
  - The COS Resell platform continues to offer customers in the UK and Germany the opportunity to buy and sell pre-owned COS products. COS Restore launched in five stores across France, the Netherlands, Austria, Spain and Italy.
  - Weekday scaled up its second-hand offerings — these curated collections now cover more than 20% of stores in the portfolio.
  - ARKET launched its own brand online customer-to-customer resell ARKET Archive in the UK and Sweden, hosted by the platform Archive.
  - Monki continues to run its Pre-Loved in-store resell model for customers in one Stockholm store and one in Austria.
  - Our brands also continued to offer rental initiatives:
    - & Other Stories celebrated one year of offering rental in the UK with partner HURR and has expanded the pilot following positive customer feedback.
    - H&M launched rental in the Antwerp store.
    - ARKET has launched its kids clothes rental service with partner Bundlee.

## Progress: collect

- We changed our global sorting partner to Remondis to invest in progress within the area of collecting and sorting unwanted garments. Read more on [page 48](#).



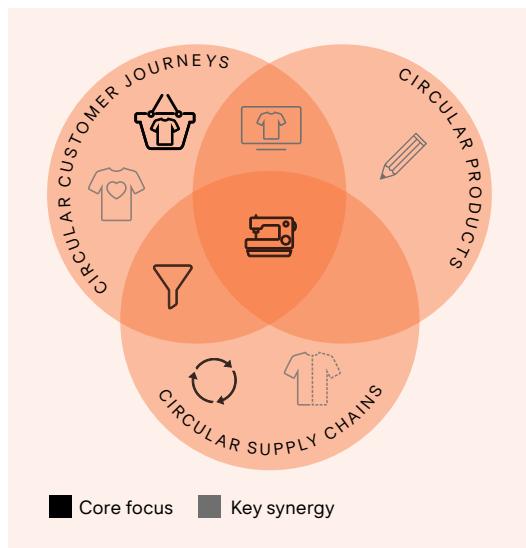
- In 2023 we collected 16,855 tonnes of used products through our existing in-store garment collecting initiatives,<sup>1</sup> compared to 14,768 tonnes in 2022. Read more on [page 48](#).
- COS Full Circle is now available in 22 markets, having expanded its reach in the EU and the UK.

## Learnings & future focus

- Data and tech infrastructure are crucial to scaling circular business models, enabling us to reduce barriers related to product descriptions, pricing logic, stock and merchandising capabilities.
- Significant manual handling is required to prepare items for reselling and online sales are particularly time intensive.
- We also see policy playing a key role to help us scale up customer-facing circular business models. For example, we advocate for removal of VAT on second-hand sales, support for reuse and repair models before products become defined as waste, incentivisation of access to digital product data (e.g. via a Digital Product Passport) and standardising environmental impact measurement for new and reused products.
- Our brands play an essential role in scaling circular business models. They explore and test solutions to specific challenges, for example financial feasibility or customers' intention to buy second-hand versus their actual behaviour. Each brand can then share their learnings groupwide and, where appropriate, externally. For example, COS has shared valuable learnings:
  - Customers have responded positively to COS Restore, but further development and investment are required for COS Resell to reach its full potential and scale — including expansion to new markets to increase profitability.
  - Communication has been vital for customer engagement and sales on the Resell platform.
- The brand is in ongoing discussions with recyclers to identify the best approach for managing the volumes currently collected through Full Circle.
- We acknowledge the challenges connected to collected garments: there is an ongoing need for strengthened legislation, improved infrastructure — including local reuse solutions and increased textile to textile recycling — and demand for resale and recycling. Read more on [page 49](#).
- We aim to increase our focus on end-of-life responsibility by continuing to improve operational efficiency, transparency, waste and recycling infrastructure. We will also deepen and further integrate our partnership with Remondis, Looper Textile Co., and other sorting partners, so that together we can invest in progress. Read more on [page 47](#).
- We will continue to test, evaluate and learn from the circular business models we have piloted and aim to increase customer satisfaction based on our learnings. Specific next steps include increasing access to second-hand products by integrating them further into the customer journey and focusing on rental models by testing these in new markets.
- Sellpy is already one of the biggest providers of second-hand fashion in Europe. We will continue to scale its offerings to more markets, increasing the number of second-hand items traded and further decoupling our growth from resource use.

<sup>1)</sup> The data covers all garment collecting in-store excluding franchises.

# Waste & resource recirculation



Our work is guided by our environmental policy and our waste management strategy, which cover our own operations and supply chain. The EU waste hierarchy governs our approach, and our priority is to prevent and reduce waste. To achieve this, we focus on business optimisation and assortment planning, alongside material efficiency, increasing circular business models and using more recycled materials. Where waste is generated, we view it as a resource and aim to circulate it at the highest possible value, increasing reuse, repair, refurbishment and recycling. Our aim is that zero waste goes to landfill.

Tracking, managing and defining waste are integral to our transition towards a circular ecosystem. There are data challenges in retrieving qualitative and accurate data for different waste streams as we are reliant on suppliers, landlords and other external partners as well as upskilling on the data collection process. We are working with peers to address these data gaps and strengthen data and reporting systems for waste.

Resource consumption and waste are significant global issues, with far-reaching implications for our environment and for human rights. Communities and regions already experiencing wealth inequity are more likely to be impacted negatively by resource scarcity and waste management issues.<sup>1</sup>

While items may be designed for circularity, recycling or disassembly, lack of infrastructure or regulations can hinder the recovery and recirculation of products and materials. We invest in infrastructure that supports circularity and we advocate for ambitious, effective and implementable legislation which should level the playing field across the industry, ensuring brands take responsibility for their product's end-of-life. We advocate for and support the development of a robust recycling industry for textile waste globally.

## Resource recirculation of products & product waste

### Unsold goods<sup>1</sup>

Accurate planning and quantification of our product assortments is central to reducing our environmental impact, and to our business model. Through multiple sales channels, including Afound, we can sell garments that are not performing as planned. Only once we've reviewed all internal channels do we find solutions via trusted business partners, including outlets. These products will be used by consumers and are not considered product waste.

### Faulty products

Products that are classified as faulty cannot be sold and are considered product waste. These products are either donated to charity or sold to sorting partners. The most common faults are:

- Product waste in our own operations
- Garment collecting from our customers
- Packaging waste in our own operations
- Building material and interior product waste in our own operations
- Supply chain textile waste generated during production.

- Damaged products from stores
- Damaged customer returns both online and in-store
- Products removed from sale or recalled due to a production fault
- Products damaged during transport.

We prioritise reuse as product, ahead of recycling. Items are only destroyed if considered hazardous waste, if contaminated, or when there is no viable recycling or downcycling solution. This lack of solutions may be due to the absence of technology to recycle certain product types — for example certain beauty products or hard goods like ceramics — or infrastructure gaps in specific locations.

<sup>1)</sup> The EU definition of unsold goods is as follows: 'unsold consumer product' means any consumer product that has not been sold or that has been returned by a consumer in view of their right of withdrawal in accordance with Article 9 of Directive (EU) 2011/83/EU.

1) Fashion Transparency Index 2023

## 2023 data

### Product waste: faulty products

	2020	2021	2022	2023
% total product assortment reused or recycled (including charity donations) due to a fault	0.32%	0.42%	0.64%	0.40%
% of total product assortment destroyed (prioritising incineration for energy recovery) due to the products having failed certain chemical tests, being contaminated by mould, or when there was no viable recycling or downcycling solution available	0.03%	0.02%	0.05%	0.03%

### Garment collecting

	2020	2021	2022	2023
Tonnes of garments collected through garment collecting initiative	18,800	15,944	14,768	16,855 <sup>1</sup>
% garments collected that are reused as a product <sup>2</sup>	50-60%	50-60%	55% (product) 15% (material)	68%
% garments collected that are recycled to become products for other industries or made into new fibres	35-45%	35-45%	22%	24%
% garments collected that, as a last resort, had to be disposed of another way, prioritising incineration for energy recovery and not sending textiles to landfill	3-7%	3-7%	8%	8%

<sup>1</sup> The data covers all garment collecting in-store excluding franchises.

<sup>2</sup> Due to a change in collection partner in 2023, we have not been able to disaggregate reuse as a product from reuse as a material.

### Own operations: stores, distribution centres & offices

	2020	2021	2022	2023
% waste handled in H&M Group distribution centres that was recycled or reused	92%	92%	92%	90%

## Progress: product waste — own operations & garment collecting

- For garment collecting, our primary focus has been to integrate and deepen our partnership with sorting partners, including Remondis and Looper Textile Co. so that together we can invest in progress around key processes, visibility, and technology.
- We continued our work to strengthen recycling infrastructure — an important factor for increasing local textile recycling — and to advocate for clear sorting and shipping requirements.
- We acknowledge the complexity and industry challenges of used textile flows that are currently linear, and we have further worked to strengthen our strategy for end-of-life textiles including garment collecting.
- We launched Looper Textile Co., an independent joint venture with Remondis that provides local municipalities and retailers with solutions to extend the useful life of unwanted garments via reuse and recycling. This is part of our work to invest in progress around key processes, visibility, and technology, which increase the likelihood of extending the useful life of unwanted garments.
- We changed our global sorting partner for our garment collecting initiative to Remondis.
- We collected 16,855 tonnes of used products through our existing in-store garment collecting initiatives, compared to 14,768 tonnes in 2022.

## Progress: own operations — stores, distribution centres & offices

- At our distribution centres we aim to circulate waste at its highest value. We do this by ensuring correct waste segregation for the different waste streams that we handle — packaging, such as paper, cardboard, plastic, textile, electrical and

### Garment collecting

We offer our in-store garment collecting programme worldwide to our customers. Our aim is to ensure that our partners sort the collected garments for the most suitable outcome following the criteria set out in the EU waste hierarchy and applicable laws, which prioritise reuse before recycling:

- Reuse as a product — garments collected and reused as a product.
- Recycling — garments recycled to become products for other industries or made into new fibres.
- Energy recovery — as a last resort for products that must be disposed of another way, prioritising incineration for energy recovery and not sending textiles to landfill.

We recognise the importance of extended responsibility for our products beyond customer use into end-of-life, by preventing garments going to landfill or unwanted textiles ending up in landfill in markets without or with limited waste and recycling infrastructure. Read more on the right of this page.

electronic equipment and hazardous waste. We have agreements with authorised waste handling partners and track data from their activities, supported by internal verification of data accuracy so we can report our progress.

- To prevent waste and support our circular packaging strategy, we continue to reduce our usage of hangers and increase the volume of reused hangers ([page 52](#)).
- In stores and in offices, we work with business partners and landlords to prevent waste through correct waste segregation, reuse where possible and proper recycling.
- We are running a project on how to correctly manage waste segregation of H&M store window display products. Products that are no longer in use are sent to distribution centres for proper waste handling.
- COS has established a supplier return scheme, enabling old concrete interiors no longer in use to be re-grinded and reproduced into new concrete interiors. The brand is also phasing out non-recyclable fibreglass in its stores and has trialled a reusable flooring system that enables the removal and reuse of tiles.
- Read more about our progress on packaging ([page 51](#)) and resource use in the built environment ([page 53](#)).

## Progress: supply chain waste (including textile waste)

- As with all textile waste, we view any offcuts generated during production as a resource and we aim to reduce our impact by circulating products and materials at their highest value. To facilitate this, we provide guidelines to our suppliers and

build networks of recyclers to optimise and recirculate the post-industrial, pre-consumer textile waste in our supply chain and beyond, using the digital platform [Reverse Resources](#).

- Together with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) we began a joint study on the regulatory framework for post-industrial waste in Bangladesh's textile sector. Our focus is to identify regulatory gaps and challenges related to post-industrial waste management in the textile sector, with the aim of suggesting practical solutions that can be implemented to improve waste management practices. The project will also analyse the potential for circular economy initiatives and job creation in the sector.
- We also engage with national institutions to ensure there are supportive ecosystems for textile production waste to be recirculated.

## Learnings & future focus

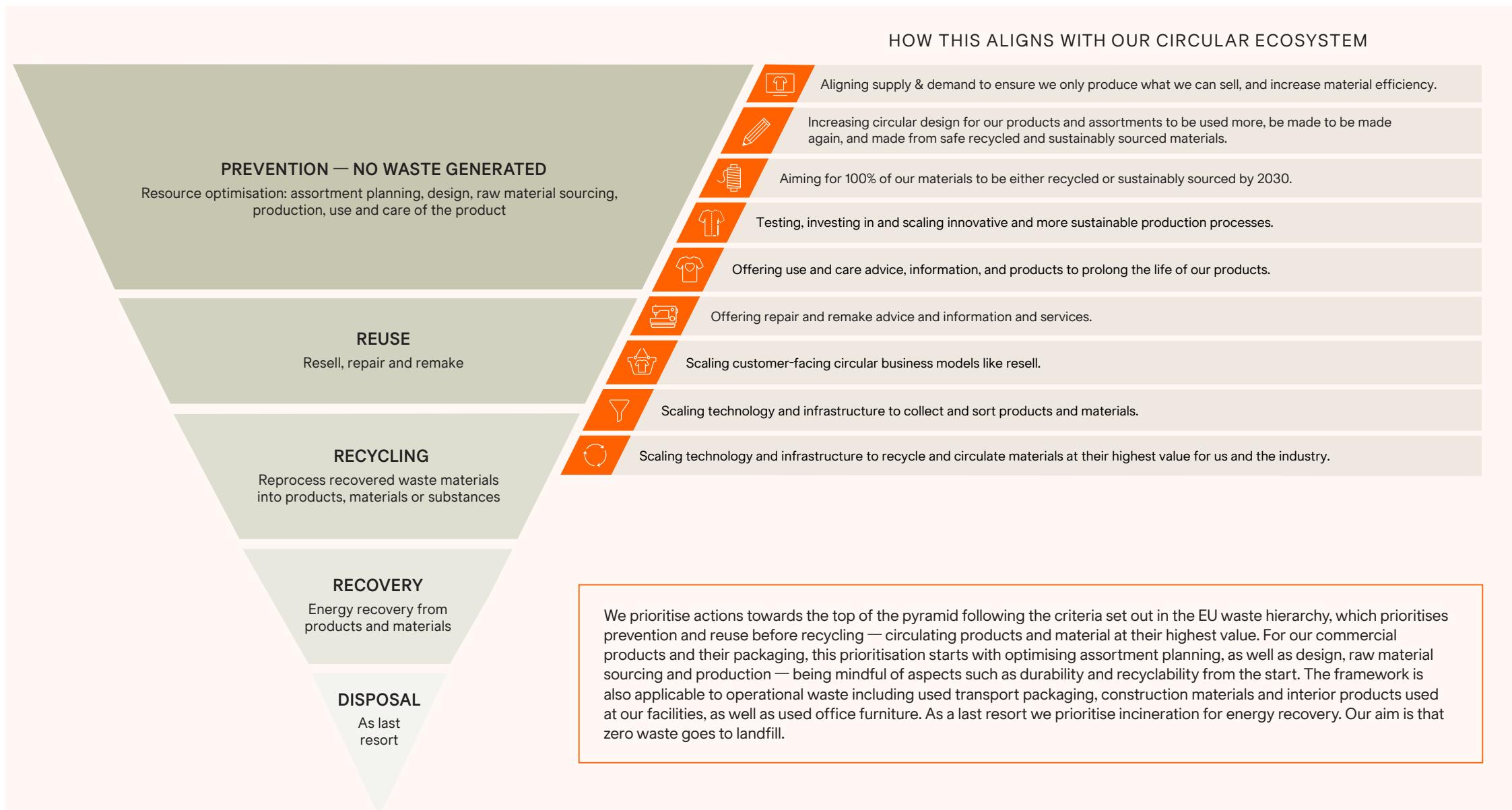
- Collecting accurate, relevant and verified data is challenging and systems support is therefore very important to our work in this area. To gain a holistic overview of waste handling in our own operations and supply chain, and to prepare for upcoming changes to regulations, we are strengthening our management systems covering governance structure, data accuracy and traceability for products and packaging.
- Within our stores, offices and distribution centres, we will focus on the reuse, redistribution and recycling of material resources and refine our accounting methodologies for material use.
- A key learning about pre- and post-consumer textile waste is the urgent need for active engagement with industry stakeholders, including the governments of our production markets.

Advocating for policy changes that enable an effective circular ecosystem in our production markets will be an important driver for us to achieve our circularity and recycled material goals.

- To support our industry's transformation towards circularity we will continue to advocate for waste management legislation across our sales and production markets by driving the development of appropriate infrastructure to manage product end-of-life.
- The challenge of textile waste goes beyond H&M Group and needs to be resolved at industry level. We acknowledge our role in contributing to the global textile waste problem, notably when our products reach markets with inadequate or no waste management or recycling infrastructures. We will continue strengthening our strategy and actions for end-of-life textiles, where garment collecting is one important part.
- Legislative tools such as Extended Producer Responsibility for textiles and packaging, both in Europe and other parts of the world, as well as stricter sorting requirements, are part of the solution, but won't solve the problem. We see that we need to collaborate with global and local stakeholders to identify and take actions to improve local waste management infrastructure, while at the same time increasing local reuse and recycling.<sup>1</sup>
- To address premature disposal of garments, we believe scaling second-hand resale models more 'locally' has significant potential. We need to work to prevent waste by increasing business optimisation, aligning supply with demand and scaling local recycling where waste is created.

<sup>1)</sup> EU exports of used textiles in Europe's circular economy — European Environment Agency.

## Our approach to waste management



# Packaging

Our products need to be protected when travelling between our suppliers, customers, distribution centres and stores, yet packaging is a significant global contributor to resource consumption and waste. We are addressing this challenge holistically and through activities, goals and partnerships connected to packaging reduction, design, material and end-of-life.

We are committed to lowering the environmental impact of our packaging. Our strategy is built on the Ellen MacArthur Foundation (EMF)'s key principles: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature.

**Our key packaging goals** support our wider climate, materials and circularity goals:

- Absolute reduction in plastic packaging of 25% by 2025 (2018 baseline).
- Design 100% of packaging to be recyclable, and where relevant reusable, by 2025.
- Make 100% of packaging from recycled or sustainably sourced materials by 2030, with a preference for post-consumer recycled materials.
- Reuse or recycle 100% of packaging from our own sites by 2025 — read more on [page 49](#).

We partner with peers and experts to drive systemic progress within our industry. We focus on reducing our environmental footprint caused by packaging by optimising the overall packaging used, tackling plastic pollution, increasing the share of recycled and sustainably sourced materials, and transitioning to reusable models where possible. Ultimately we want to reduce our total use of packaging, avoid plastic pollution, and only use deforestation-free packaging

(see [page 27](#)). We engage in initiatives that support these aims.

We are signatories to the global commitment, led by EMF in collaboration with the UN Environment Programme, and we are supporters of the [business coalition for the plastic treaty](#) convened by EMF and WWF, supporting a common vision to develop a circular economy in which plastic never becomes waste or pollution, and the value of products and materials is retained in the economy. We continue to endorse Canopy's Pack4Good initiative, which underscores our commitment to focus on recycled fibres, fibres from sources such as agricultural residues, and FSC-certified sourced paper. In 2023, we joined an industry collaboration project led by RISE, driving holistic innovations and solutions for reuse of e-commerce packaging.

Read more about our approach to [packaging](#).

## Progress

- We achieved an absolute plastic packaging reduction of 55% compared to our baseline year 2018.
- We aim to reduce unnecessary polybags and optimise the size of the polybags we use to transit our products. Plastic packaging such as polybags contributes to plastic pollution if they are not reused, recycled and responsibly managed during and after use. We therefore continue to test solutions to reduce the volume of plastic polybags such as switching to paper. Where plastic is used, we focus on increasing the share of post-consumer recycled plastic. For larger polybags used for products going between garment factories and our distribution centres we only use post-consumer recycled plastic.

## 2023 data<sup>1</sup>

### Packaging sourcing

	2022	2023	GOAL
% of recycled or sustainably sourced packaging materials including:	71%	79%	100% by 2030
— % of packaging from recycled materials, including:	33%	49%	-
— Paper and cardboard from recycled materials	28%	50%	-
— Plastic packaging from recycled materials	62%	69%	-
— % of packaging that is paper and cardboard from virgin FSC-certified sources <sup>2</sup>	49%	38%	-

### Plastic packaging

	2022	2023	GOAL
% change in overall plastic packaging volume compared to 2018 baseline	-40%	-55%	-25% by 2025
% change in overall plastic packaging volume compared to previous year	-14%	-24%	-
% plastic packaging designed for reuse or recycling <sup>3</sup>	41%	57%	-

1) 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.

2) Packaging from FSC-certified sources refers to the percentage of total packaging material from virgin FSC-certified sources.

3) Based on Ellen MacArthur Foundation's Global Commitment Recyclability Assessment Tool. Historic packaging data is reported from 2022 only, due to a change in our data scope to include all data — previously some packaging within our value chain was unreported due to a lack of comparable data.



- We continue to increase packaging from recycled or sustainably sourced materials. 69% of our remaining plastic is from recycled sources and 79% of our overall packaging is now made from recycled or sustainably sourced materials.
- All our online outer bags across all brands and markets are made from FSC-certified paper, as of January 2023.
- We reduced overall usage of hangers, increased the share of reuse hangers and switched materials in hangers to phase out polystyrene. No new hangers will use virgin or recycled polystyrene after 2023.
- The volume of non-plastic packaging materials decreased partly due to most of our sales markets charging for shopping bags in-store, reducing customer demand.
- We continue to measure the recyclability of our plastic packaging, using a model developed by the EMF. We also created a method to measure paper and cardboard packaging designed to fit the global recycling infrastructure, based on information provided by global waste recycling industries.

## Learnings & future focus

- While we advance our packaging progress, the materials and innovations used in future packaging need to protect our products, enable a smooth operation throughout the value chain, follow regulations, provide accurate information to our customers and reduce our impact on the environment.
- We will accelerate progress towards our packaging goals by prioritising our areas of greatest impact:

- To reduce overall material use, we will maintain our focus on reducing unnecessary packaging, shift to reusable models where possible and optimise the material used.
- We will continue to reduce transport hangers and increase the volume of reused transport hangers.
- Where it will not jeopardise the quality of our packaging, we will switch our paper and cardboard packaging to recycled or other alternative fibres, such as those made from agricultural waste and residues. Where virgin paper and cardboard materials are used, we have committed to only use FSC-certified materials by 2025.
- We will ensure that the paper and cardboard packaging we use is designed to fit the recycling infrastructure globally and follows global recycling directives guidelines.
- Where plastic is used, we will prioritise post-consumer recycled plastics and plastics that are considered recyclable globally.

# Resource use in our stores, distribution centres & offices

The buildings sector contributes significantly to global climate and resource impacts. Although we do not own the majority of all our stores, distribution centres and offices, we still have a significant opportunity to reduce their greenhouse gas emissions and resource use through building, maintenance and furnishing processes. Collaboration with partners and building owners is essential to making the asset-wide changes required.

We are guided by our Circular Built Environment Strategy, which is based on the Ellen MacArthur Foundation's principles to eliminate waste and pollution, circulate products and materials at their highest value, and regenerate nature. By rethinking the way we build our stores, distribution centres and offices and how we design and use interior products, we can release more value from existing assets, keep resources and building materials in the economy, and stop them from becoming waste.

We strive to design 100% of interiors and construction materials so they can be reused and repaired, before they are recycled. Where possible we reuse and repair them in our stores, distribution centres and offices. Additionally, we aim to only use recycled or other sustainably sourced materials by 2030 as part of our overall group materials goal.

[Read more about our approach to the built environment.](#)

## Progress: stores

- Our work with resource optimisation and material choice extends to our store interiors. When developing new store formats, materials and products, we integrate circular design principles, optimise resource use and consider our environmental impact. Material choices and product design are made based on the

estimated product life length, the ease of repair, maintenance, redesign and the product end-of-life recyclability. In the construction of store formats, we encourage the reuse of existing interiors and building materials.

- We have identified origin countries and regions for the materials that we use in our store interiors for traceability and we strive to increase the share of recycled material. For example, H&M continued using Really's recycled materials for recycling bins, and we prioritised use of Unilin's wood fibre-based boards, containing mostly recycled materials. Where we use virgin materials, we aim to only use sustainably sourced materials, such as FSC-certified paper and wood — where our focus has been to ensure chain of custody.
- Our online sharing tool facilitates reuse of surplus store interiors. We have now completed 30 rebuild projects with redesigned products reusing materials and COS opened 8 stores using partly reused interiors. Challenges included higher costs than anticipated and a requirement for significant manual work.
- [Read more about store waste and resource recirculation on page 49.](#)

## Progress: distribution centres

- We introduced new ESG building guidelines for distribution centres, which include standards on materials, energy efficiency, water, biodiversity, pollution, waste, and health and wellbeing.
- For our new DC (distribution centre) we reused furniture from our customer service office and encouraged the use of recycled materials in the refurbishment.

— Read more about distribution centre waste and resource recirculation on [page 49](#).

## Progress: offices

- We engaged with an external consultant to review our strategy, ensure we remain compliant with legislation, and set actions beyond compliance. Priorities emerging from this work include reducing overall office space, and focusing on maintenance, repair and reuse of existing products and materials.
- We continued reuse of furniture between offices, for example by reallocating furniture from our Hong Kong office to our Singapore office.

## Learnings & future focus

— The built environment sector is a low-regulated industry and there still a limited awareness between the external stakeholders we interact with in the industry. Lack of recycling infrastructure for waste and reuse processes presents another challenge. We support enhanced legislation and regulation to drive systemic change in the built environment industry.

- We will refine our accounting methodologies for material use and the GHG emissions impact — [read more on page 21](#).
- For new buildings, we will ensure compliance to our high standards we have set for new buildings and create a plan to retrofit existing distribution centres and offices to align with our climate and circularity goals.



# Social impact

Our business spans the globe and our activities engage hundreds of millions of people all over the world — including colleagues in our stores, warehouses and offices, workers manufacturing our garments, farmers producing raw materials such as cotton and wool, and many more. We are committed to respecting their rights and use international frameworks and principles to identify their needs, minimise risks, and manage our impact responsibly.

We recognise all our stakeholders' human rights — safeguarding these fundamental protections and guarantees is intrinsic to our work. Throughout the years, we have focused on ensuring that our activities comply with all relevant legislation and our focus is now on building and maintaining robust internal processes, stringent due diligence processes, and effective risk-mitigation strategies. Our actions are prioritised according to where we have the most influence, such as in our own operations, and based on the identified severity and likelihood of specific risks. We use partnerships and collaborations to leverage our influence more widely.

We continue to advance this work and seek to increase our positive impact. In our operations, we focus on health, safety and wellbeing, our colleagues' professional and personal development, employee relations and engagement at work, and compensation and benefits such as parental leave. Similarly, in our supply chain, key topics include workers' health, safety and wellbeing, compensation, benefits and social protections, labour rights, and gender equality.

## A fair & equal organisation

We are committed to being a fair and equal company that supports people across its value chain. Our employees, our suppliers' workers, and partners in our supply chain should all expect decent jobs

with fair compensation and benefits in safe, secure workplaces. They should be free of discrimination with the right to freedom of association.

Our approach to being fair and equal is guided and supported by a range of policies and mechanisms:

- We publish our [Salient Human Rights Issues](#), detailing how we identify and assess risks across our value chain and prioritise action. Current salient issues include access to water, land rights and livelihoods, child labour and forced labour, as well as a range of social issues focused on the workplace, such as freedom of association and collective bargaining.
- Our [Human Rights Policy](#) provides an overview of our commitments, priorities and key stakeholders.
- Our [Social Policies](#) outline our commitments to colleagues in relation to human rights and apply worldwide to all our operations.
- Our [Sustainability Commitment](#) expresses our human rights and environment requirements for business partners.
- Our [Responsible Business Conduct Policy](#) defines how we address governance, human rights and environmental concerns in our operations. To learn more about how we apply this policy in practice, read our [Annual and Sustainability Report](#).
- Each year we publish a [Modern Slavery Statement](#) explaining how we mitigate the risk of forced labour and child labour in our global supply chains.
- [Speak Up](#), our corporate grievance channel, enables our colleagues, business partners, workers in our value chain and other parties to formally report concerns or breaches of H&M Group's standards and policies.



## Meeting challenges & supporting systemic change

We operate in different cultural, political and economic contexts where changes happen rapidly and unexpectedly. This requires us to be agile and adaptable. It's critical that we identify emerging risks and issues early to mitigate their possible negative impact on people throughout our value chain. We continually reassess risks to determine where and how we need to focus our efforts, and we implement measures where we can leverage our size, position and network to advance progress and minimise harm.

To achieve long-lasting systemic change and impact, we identify salient human rights issues, determine underlying causes, and define input, activities, output and outcomes. We adopt a systemic approach to human rights and environmental due diligence — the ongoing process we use to identify, prevent, mitigate and remedy potential and actual negative impact on people, while leveraging opportunities to advance their rights. We also aim to work holistically, addressing human rights protections within our climate ([page 16](#)) and circularity ([page 32](#)) goals. For example, our shift to a circular ecosystem will impact our operations and change the skillsets and services we need, with implications for our suppliers and partners — read more on [page 8](#).

Our Annual and Sustainability Report explains our approach to assessing and addressing impacts, risks and opportunities.

## Empowering individuals

We believe that human rights can be protected and strengthened if individuals are knowledgeable about their rights and supported to raise concerns. Training and engagement are effective tools for communicating and raising awareness with people throughout our value chain. We cannot do this alone, and we work closely with partners and stakeholders in

the industry to drive positive change. Read about our approach to stakeholder engagement on [page 76](#) and supply chain management on [page 78](#).

Finally, we recognise that more vulnerable groups of people, such as migrant workers, refugees, workers in the informal sector — and particularly women within these groups — will need specific support. Read more about our tailored programmes to assist their development on [page 65](#) and in our Modern Slavery Statement.

## H&M Foundation

In 2023, H&M Foundation:

- Invited brands, stakeholders, and decision-makers to two Open Perspectives events, the first of which focused on disruptive innovation. The event included Professor Johan Rockström, who held a keynote on the need for radical change and panels with industry experts. Global Change Award innovators and social entrepreneurs backed by H&M Foundation pitched their solutions to the stakeholders watching. The second event focused on the power of perception. Presenters included BBC Media Action, who spoke about their work to change the perception of waste pickers in Bengaluru, India.

- Continued to support Saamuhika Shakti (“collective power”), a multi-partner initiative that aims to equip informal waste pickers in Bengaluru to lift themselves out of poverty. H&M Foundation and Saamuhika Shakti welcomed two new partners — Stichting Enviu Nederland (Enviu) and Intellecap’s Circular Apparel Innovation Factory (CAIF) — that are developing Circular Textiles Waste Models (CTWM), with waste pickers playing the lead role. These partners have launched two new workstreams into the overall programme: a micro-entrepreneurship model on textile waste and a circular business-to-business linen enterprise.
- Contributed a total of USD 600,000 to the Red Cross and Red Crescent in the wake of the Morocco earthquake, the Ukraine dam collapse, Cyclone Mocha and the earthquake in Türkiye and Syria.



# Our employees

We believe that our employees are a vital driving force to deliver on our strategy. To enable our employees to thrive, we actively work to create and maintain fair, inclusive, equal, respectful and welcoming workplaces.

We focus our efforts on:

- **Health, safety & wellbeing.** We continuously maintain and develop processes and policies to support our employees' physical, mental and social wellbeing. This is done through close collaboration between employees, leaders and employee representatives. Working together helps us identify and mitigate risks and challenges.
- **Professional & personal development.** We embrace a learning mindset to enable our employees to grow and develop, both professionally and personally. We do this by providing a wide range of learning opportunities, defining clear development goals and encouraging everyone to give and receive feedback.
- **Employee relations & engagement.** We respect our employees' right to freedom of association and collective bargaining, and support this through our Labour Relations Policy and Global Framework Agreement with Union Network International. Engagement with our employees is crucial, and we invite everyone to share feedback and suggest improvements in our regular internal engagement surveys — People Engagement Pulses (PEP).
- **Compensation & benefits.** Our employees' contribution is key to our continuous growth and we are committed to rewarding them accordingly. We outline our approach to remuneration and rewards in our Global Compensation Guidelines and always comply with local legislation and collective agreements. Employees working full-

time or part-time — regardless of position, salary, and country — benefit from the H&M Incentive Program (HIP), a share-option scheme.<sup>1</sup>

We focus on making the employee experience consistent across roles and geographies, while adapting to new technologies, anticipating shifting demands for skills, simplifying our organisational structure, and establishing more efficient ways of working across brands and functions. Our commitment to inclusion and diversity continues to be a high priority and is integrated into all our strategies and plans.

## Progress: health, safety & wellbeing

- We provided regular trainings on crisis management and health and safety for our employees, in line with our Global Health and Safety Policy. This includes an annual security awareness e-learning session and local trainings focused on country-specific risks and legislation.
- We offered a psychological safety training outlining how to build trust and mutual respect within teams, so that all members feel empowered to learn from one another and contribute with new ideas.

## Progress: professional & personal development

- We continued to implement Learning Studio across our organisation. This new platform supports the ongoing development of all colleagues by

<sup>1)</sup> Due to local legislation, HIP is currently not available in all countries and the payment regulations vary in a few markets.

## 2023 data

### Health, safety & wellbeing

	2020	2021	2022	2023
% of H&M Group employees agreeing with the statement "I am able to successfully balance my work and personal life"	See footnote 1	65%	67%	68%

### Professional & personal development

	2020	2021	2022	2023
% of H&M Group employees agreeing with the statement "I have good opportunities to learn and grow"	See footnote 1	65%	67%	67%
Average training time per full time equivalent colleague	See footnote 1	6 hours	10 hours	See footnote 2

<sup>1)</sup> New in 2021.

<sup>2)</sup> No reliable data for 2023 due to implementation of new learning platform.

### Employee relations & engagement

	2020	2021	2022	2023	GOAL
Overall People Engagement Pulses (PEP) employee engagement score (out of 100) <sup>3</sup>	75	76	76	75	Monitor
% of H&M Group employees agreeing with the statement "I feel empowered to take ownership about my work" <sup>3</sup>	See footnote 1	80%	81%	78%	-
% of H&M Group employees agreeing with the statement "I feel satisfied with the recognition or praise I receive for my work" <sup>3</sup>	See footnote 1	65%	67%	65%	-
% of H&M Group employees covered by collective bargaining agreements	See footnote 4	See footnote 4	See footnote 4	45%	-

<sup>3)</sup> Does not include colleagues in the German sales organisation.

<sup>4)</sup> New in 2023.

## Inclusion & diversity<sup>1</sup>

	2020	2021	2022	2023	GOAL
% of H&M Group employees agreeing with the statement “Diverse perspectives are valued at H&M Group” <sup>2</sup>	See footnote 3	74%	76%	73%	Annual increase
% of H&M Group employees agreeing with the statement “I am treated with respect and dignity” <sup>2</sup>	80%	83%	84%	82%	Annual increase
% female employees	74%	74%	75%	74%	Monitor
% female employees in management positions	71%	71%	75%	64%	Monitor
% female employees on board of directors <sup>4</sup>	67%	55%	55%	55%	Monitor
% employees from different generations: <sup>5</sup>					
Generation Z	-	-	25.7%	43.5%	-
Millennials			61.2%	41.4%	
Generation X			11.4%	13.4%	
Baby Boomers			1.7%	1.6%	
Nationalities: <sup>6</sup>					
Across our workforce	-	-	174	177	-
Among leaders responsible for managing people			96	92	
% of employees that have received our Layers inclusion and diversity training	-	-	-	7%	
Number of employees that have participated in a training that raised awareness of human rights	-	-	177	428	
Total number of employees that participated in any I&D related training during 2023 <sup>7</sup>	13,713	56,618	36,192	34,561	-

- 1) We have not included figures for total participants in one or more trainings since 2018 nor total participants in Layers training since 2018 as cumulative figures are not meaningful. Instead, we focus on measuring the impact of individual trainings. At H&M Group we recognise that gender is not binary and that gender identities exist between and outside of male and female. We are investigating how we can adapt our systems to be more inclusive of all genders, while also complying with local laws and regulations. Meanwhile we will continue to report on the data we have available today.
- 2) Does not include colleagues in the German sales organisation.
- 3) New since 2021, replacing our previous KPI % of H&M Group employees agreeing with the statement “I feel comfortable being myself at work”, as we updated our employee engagement survey platform.
- 4) Includes directors elected by AGM as well as employee representatives. Does not include deputies of employee representatives.
- 5) Does not include colleagues in Germany. Gen Z refers to those born in 1997-2015, Millennials 1981-1996, Gen X 1965-1980, and Baby boomers 1946-1964.
- 6) Does not include colleagues in Germany.
- 7) Data is for colleagues who have accessed the training on our internal learning system.

providing diverse digital learning experiences and resources alongside opportunities to define training plans for professional and personal development.

- Our inclusion and diversity trainings — such as the Beyond the Binaries learning experience on LGBTQIA+ history and rights — are tailored to address progressive societal issues, ensuring our employees are respectful and mindful of all cultures, experiences and norms (see left). In 2023, 34,561 colleagues undertook at least one of these trainings.

## Supporting colleagues in Ukraine

Following closure of our Ukraine operations, we have reopened seven of our stores in Kyiv and Lviv. We continue to closely monitor the developments in the country, and engage with local stakeholders regarding how best to support the country and local communities as they look to rebuild. Our colleagues' safety is paramount and all participating teams in Ukraine as well as supporting teams in other countries have been trained on health and safety and evacuation routines.

Feedback on reopening has been positive, with colleagues in Ukraine welcoming the opportunity to resume work and recover their income.

- Layers is a mandatory inclusion and diversity training, available to all colleagues. In 2023, we updated the concept and made it more accessible as an e-learning.
- Our H&M Group Global Career Weeks event enabled our employees to explore development opportunities and career journeys across the H&M Group.
- Colleagues in the US continued to participate in our LEAD (Learn, Educate, Accelerate, Develop) programme — designed for store managers from historically underrepresented populations to support their career development and access to senior leadership positions. The programme helps

## Inclusion & diversity highlights

- We currently work with the IT consulting company Unicus — a small vendor that exclusively employs consultants diagnosed with autism. Research shows that neurodiversity, including autism and dyslexia, can bestow special skills in pattern recognition, memory, or mathematics — which can be sought after in different H&M Group departments.
- In 2023, we teamed up with ADAN e.V. in Germany, to internally create more awareness of the BIPOC (Black, Indigenous, People of Colour) community and to strengthen opportunities for this — from our perspective — underrepresented group in our organisation. We visited the ADAN career day

level the playing field for store managers by giving them access to mentoring, leadership training and peer networking activities.

## Progress: employee relations & engagement

- Our overall PEP employee engagement score remained stable despite many changes and challenges impacting people in our operations. In 2023 it was 75 out of 100, compared to 76 in 2022.
- Our employee-led Colleague Resource Groups continued to grow in number and inform our

the first time, aiming to attract people from the community as a potential employer and to diversify our future talent pipeline. We look forward to continuing this work together in 2024.

- We introduced skin tone customised band aids/plasters for all our Stockholm-based offices, supplied by Swedish start-up Teint.
- In the 2023 edition of Forbes' World's Top Companies for Women list, H&M Group ranked seventh out of 400 companies, taking the number one position in the Clothing and Shoes category. For this, Forbes surveyed approximately 70,000 women to identify multinational corporations that excel in attracting and retaining female talent by supporting women inside and outside the workplace.

actions, strategies and policies. Read more about our approach to [empowering people](#).

- To connect colleagues across our organisation, we continued to phase in our new digital platform The Circle for internal communication, engagement and collaboration.
- Following updates to our grievance processes, we strengthened our communications and encouraged employees to resolve issues and concerns through direct dialogue in the workplace. We also clarified that, when this is not possible, they can always formally report grievances through H&M Group's [Speak Up](#) channel.<sup>1</sup>
- We signed a new agreement with our European Works Council (EWC), the body of employee representatives who are informed and consulted on H&M Group's Europe-wide business plans. The updated terms and conditions clarify EWC's purpose, responsibilities and consultation processes.
- We created a global framework for corporate volunteering to support and guide teams setting up local initiatives. Read more on [page 72](#).
- We investigated 34 cases of potential non-compliance with the Code of Ethics, which resulted in eight written warnings to employees and nine terminations.<sup>2</sup>

<sup>1</sup>) Excludes Germany.

<sup>2</sup>) Cases can involve multiple employees and business partners. Our reporting method therefore focuses on the total number of cases rather than specifying how many individuals or business partners were involved. See [page 88](#) for an assurance statement relating to this data point.



## Progress: compensation & benefits

- Our total rewards philosophy emphasises fairness, transparency and market competitiveness. We continued to develop consistent global guidelines for compensation across H&M Group.
- We took the decision to move towards offering all employees worldwide minimum 15 days of vacation and 14 weeks of paid parental leave for primary and secondary care givers. All our markets with lower country regulations that do not meet these Minimum Employment Standards are making plans to be compliant before the end of 2026.
- We initiated an analysis of our salary levels, with a particular focus on employees in entry-level positions. We aim to identify any groups of employees with salaries that are not aligned with market practices. These findings will guide our plans and actions.

## Learnings & future focus

- New and upcoming legislation on mandatory reporting requirements, such as the EU Corporate Sustainability Reporting Directive, will impact how we collect and analyse our data. We have started taking measures to structure employee data and information to ensure we will be able to report appropriately.
- To respond quickly and effectively to an ever-changing global environment, we continue to review our crisis management response and recognise the need to take a risk-based approach to protect our employees and our business.

- Where local laws and regulations restrict freedom of association and the right to collective bargaining, we work to facilitate meaningful dialogue in the workplace by creating an optional framework for Employee Committees. Employee Committees enable employees and managers to engage in open dialogue and exchange on issues related to working conditions and the workplace environment. This also serves as a tool to identify and mitigate risks connected to the workplace.
- To ensure we are a fair, consistent and competitive employer worldwide, we continue to implement additional H&M Group Minimum Employment Standards, guided by the International Labour Organization (ILO) conventions.
- We are exploring innovative initiatives to create awareness and promote physical and mental health in our workplaces, with a focus on store and warehouse employees. In 2024, we will also relaunch H&M Group's Global Health & Safety Week to address these topics. Through training and different activities, we aim to empower all employees to take care of themselves and their colleagues while at work.

- We are launching a new training — Social Policies for All — to raise awareness about how H&M Group's commitment to protecting our employees' human rights is detailed in our social policies, and how we support human rights more widely across the value chain.



# Workers in our supply chains

Individuals throughout our supply chains are the cornerstone of our success and have the right to decent work, regardless of their role, place of work, or employer. Our tier 1 and 2 production suppliers alone cover 42 countries and engage over 1.4 million people across more than 1,800 production units — which gives us significant opportunity and responsibility to effect positive change. We are committed to respecting and promoting the human rights of all workers in our supply chains and to contributing to global efforts to achieve decent work and sustainable communities.

Throughout the world, we observe increased inequality, significant challenges to environmental welfare and social wellbeing, and threats to human rights. To safeguard the rights of those in our supply chains, we focus on health, safety and wellbeing, compensation, benefits and social protection, and labour rights. The principles of inclusiveness and diversity are embedded across these pillars, with the aim that no one working for our suppliers faces discrimination. We pay special attention to the needs and experience of women workers to create gender equal workplaces.

**— Health, safety & wellbeing:** All workers have the right to safe and healthy workplaces. We assess working conditions and employees' rights across our value chain and work with suppliers to ensure all rights are respected.

**— Compensation, benefits & social protection:** We want to be a good business partner and ensure that all supply chain workers are fairly compensated. In key production countries, we work with partners to enable wage improvements throughout our supply chain. We monitor wage levels in our supplier factories, support suppliers and their factories to implement wage management systems and wage grids, and promote social protection frameworks. We also advocate for transparent and

effective wage-setting mechanisms like collective bargaining, and support higher wages through responsible purchasing practices. Read more about our Wage Strategy.

**— Labour rights:** We believe that our supply chains are stronger, more efficient and more resilient when workers and employers actively engage in dialogue with one another. Long-term improvements in working conditions and safeguarding human rights in our factories start with empowered workers who have a voice. We are particularly attentive to the rights of women and work with suppliers to promote and amplify women's voices in the workplace, ensuring their needs are respected and they benefit from equal rights. In addition, we expect supplier factories to strengthen dialogue between management and worker representatives, including trade union representatives when a trade union is present. Our Global Framework Agreement with IndustriALL Global Union and IF Metall supports these actions. We also develop tailored roadmaps to increase the effectiveness of grievance mechanisms and prioritise a worker-centric approach to remediation.

**— Gender equality:** We want all workers in our supply chain to be free from discrimination and empowered to protect their rights. We work with our suppliers to reinforce the rights of women in their workforce, ensuring they have equal access to opportunities and resources.

In our work with factories, we are transitioning to an impact-focused approach, tracking data in these three focus areas rather than simply measuring participation or coverage of certain programmes. The complexities of our supply chains require us to consistently and rigorously assess the effectiveness of our wage management systems and workplace dialogue programmes. Commitments and agreements

are not enough — we seek to understand what is most effective and how we can accelerate progress. And we systematically evaluate and manage supply chain risks to minimise harm

Positive, long-term systemic change requires cross-sectoral collaboration. We work closely with peers and other organisations to identify and implement improvements, share best practices, and learn from one another.

We participate in the following alliances and partnerships:

- We have signed the International Accord for Health and Safety in the Textile and Garment Industry and the Pakistan Accord.
- Our Global Framework Agreement (GFA) with trade unions IndustriALL and IF Metall ensures worker rights and workplace dialogue are promoted throughout our supply chain. National Monitoring Committees (NMCs)<sup>1</sup> are responsible for implementing the agreement in their countries. Following eight years of collaboration, we engaged Jyrki Raina, former General Secretary of IndustriALL Global Union and original signatory of our GFA, to assess the partnership and its impact. We will use these learnings to strengthen NMCs' annual action plans.
- Together with 18 other global brands, we've partnered with IndustriALL to transform the garment, textile and footwear industry to achieve living wages for workers. The Action, Collaboration, Transformation (ACT) agreement supports collective bargaining, freedom of association and responsible purchasing practices

across the industry. Through this agreement, ACT members brands are held accountable to joint commitments by IndustriALL. In 2023, ACT work focused on three areas:

- In Cambodia, the Textile, Apparel, Footwear and Travel Association in Cambodia (TAFTAC) and IndustriALL affiliates have engaged in negotiations for a collective bargaining agreement, with support from ACT member brands.
- In Bangladesh, ACT members sent a letter supporting efforts for a higher minimum wage, emphasising workers' right to freedom of association, and committing to adjusting purchasing prices accordingly.
- The complaints mechanism pilot ran in Türkiye, Bangladesh, and Cambodia and was rolled out

## Working with different types of supplier

Our primary focus is our commercial goods production supply chain — this section of the report therefore applies largely to workers at tier 1 production suppliers. We have broadened the scope of our human rights due diligence to encompass tier 2 and tier 3 suppliers of commercial and non-commercial goods — read more about how we define our suppliers and tiers on page 79. Wherever we refer to non-commercial goods suppliers in this section of the report, we specify the type of supplier — for example logistics or retail.

<sup>1</sup>) NMCs consist of H&M Group representatives working on the ground alongside national-level trade union representatives affiliated with IndustriALL.

in partnership with the Sustainable Terms of Trade Initiative (STTI), which was created by the International Apparel Federation. There were no complaints from suppliers or any other stakeholders about the brands' purchasing practices.

- We recognise that health and safety conditions in our industry must improve. We remain committed to the collaborative approach defined by the Ready Made Garment Sustainability Council (RSC) in Bangladesh to increase building, fire and electrical safety. Brands and trade unions agreed to extend the International Accord until 2030 and grow the partnership to four new countries. The International Accord was set up in Pakistan in 2023 and will establish success indicators for the country before expanding to other geographies.
- We share the International Labour Organization's (ILO) vision for fair jobs and equal rights and contribute to their Decent Work Agenda to deliver quality jobs with social protections. Read more about our efforts on page 63.
- We are a member of Better Work and have completed our three-year term as part of Better Work's Advisory Committee. We collaborate on in-country programmes in Bangladesh, Cambodia (Better Factories Cambodia (BFC)), Indonesia, Pakistan and Vietnam. Programmes include training, assessments, advocacy and research to change policies, attitudes and behaviour. In Cambodia, in-depth research on effective grievance mechanisms by BFC will inform our advice to factories on how they can improve in this area.
- We engage with researchers and academic institutions to help evaluate our performance and impact.

## Progress: overall

- We mapped our activities across the value chain to examine our impact on people, potential risks to human rights, and opportunities to advance our sustainability goals — read more on page 8.
- We are evaluating the effect of our wage management systems programme to improve the programme and understand where it needs to be adjusted. To increase our impact, we are currently working on a pilot together in collaboration with two peer companies, with the aim to scale the method and enable other brands to implement our wage management systems programme in their supply chain.
- Professor Raymond Robertson led a gender pay gap study using data from 1,227 of our suppliers covering all our production countries. The research found that wage gaps vary greatly across countries and factories, are highest in Bangladesh and India, and are generally more significant as workers are promoted into higher positions. Initial findings also show that our wage management systems contributed to decreasing gender pay disparities for earners in factories. We are engaging internal and external stakeholders in defining goals and next steps for the next phase of the project.
- Our self-led learning platform for suppliers is now operational. We encourage suppliers to explore the various modules covering topics such as wage issues, the gender pay gap, gender-based violence, and our ways of working. This enables suppliers to chart their own improvement journey, and provides easy access to materials for factories wanting to make changes. It also allows our teams to showcase our leading suppliers to their peers. In addition, we conducted a survey with platform users in Bangladesh and mainland

## 2023 data

### Issues brought to National Committees in 2023 or carried over from 2022

	UNRESOLVED FROM 2022	RAISED IN 2023	RESOLVED IN 2023	UNRESOLVED INTO 2024
Compensation & benefits and severance payment	0	16	13	3
Discrimination & harassment	0	1	1	0
Freedom of association & collective bargaining agreements	5	6	7	4
Working hours	0	0	0	0
Forced labour and modern slavery	0	0	0	0
Social security	0	0	0	0
<b>Total</b>	<b>5</b>	<b>23</b>	<b>21</b>	<b>7</b>



**Labour rights**

	2020	2021	2022	2023
% tier 1 supplier factories with trade union representation <sup>1,2</sup>	32%	37%	42%	37%
% tier 1 supplier factories with collective bargaining agreements <sup>1,2</sup>	18%	27%	34%	29%
% of tier 1 and 2 production supply chain factories that have grievance mechanisms in place <sup>2</sup>	-	-	-	99.7%
% of tier 1 and 2 production supply chain factories that have grievance mechanisms that were created through social dialogue between both male and female workers, worker representatives and/or trade union representatives <sup>2</sup>	-	-	95%	98%
% of tier 1 production supply chain factories where workers are aware of the processes in place for grievance handling <sup>2</sup>	-	-	98%	99.9%
% of tier 1 and 2 production supply chain factories where management reported reviewing grievance submitted and doing root cause analysis of issues raised <sup>3</sup>	-	-	75%	79%

1) Applicable legal standards include: the ILO core conventions; C87 Freedom of Association and Protection of the Right to Organize Convention, 1948; C98 Right to Organize and Collective Bargaining Convention, 1949. Where these standards have not yet been ratified, following Social & Labor Convergence Program verification guidelines, we referred to the national applicable legislation in force.

2) Scope: factories participating in HIGG FSLM— read more on page 78.

3) Scope: factories participating in the IR Impact Survey (survey conducted through H&M Group's own platform STEP, with 12 countries: Bangladesh, Bulgaria, Cambodia, China, India, Indonesia, Italy, Pakistan, Portugal, Romania, Türkiye, Vietnam. In scope: 889 tier 1 and 2 factories).

**Health, safety and wellbeing**

	2020	2021	2022	2023
% tier 1 supplier factories with a Health and Safety Committee in place <sup>1</sup>	-	-	98%	97%
1) Scope: factories participating in HIGG FSLM — read more on page 78.				

**Compensation, benefits & social protection**

	2020	2021	2022	2023
% tier 1 supplier factories with digital payment solutions (bank account and/or mobile money) <sup>1</sup>	82%	91%	87%	84%
Number of factories joining the programme to improve wage levels and number of units putting in place a wage grid <sup>2</sup>	-	-	Factories: 41 Units implementing wage grid: 42	Factories: 4 Units implementing wage grid: 10
1) Scope: factories participating in HIGG FSLM — read more on page 78.				
2) Internal reorganisation and the ongoing development of our factory programmes during the year resulted in a lower number of factories enrolling in the Wage Management Programme and implementing wage grids compared to 2022.				

**Gender equality**

	2020	2021	2022	2023
% of workers in our tier 1 production supply chain that are female	63%	63%	62%	63%
% of supervisors in our tier 1 production supply chain that are female	24%	28%	27%	27%
% of worker representatives in our tier 1 production supply chain that are female	59%	62%	63%	65%
Number of refugees employed in the H&M Group supply chain in Türkiye (cumulative) <sup>1</sup>	-	710	750	828
1) Several factors make it difficult for suppliers to commit to the scheme, for example the aftermath of the pandemic and political tensions. This will impact the total number of refugees reached by this initiative.				

## Average monthly wages (excluding overtime) at H&M Group supplier factories versus applicable minimum wages in key production markets<sup>1,2,3</sup>

See page 67 for detailed wage and worker data.

COUNTRY	CURRENCY	MINIMUM WAGES 2022	GROSS AVERAGE WAGES 2022	DIFFERENCE BETWEEN AVERAGE AND MINIMUM WAGES 2022	MINIMUM WAGES 2023	GROSS AVERAGE WAGES 2023	DIFFERENCE BETWEEN AVERAGE AND MINIMUM WAGES 2023
Bangladesh	USD	87.5	128.1	47%	74.5	118.3	59%
	BDT	8,098	11,844		7,906	12,559	
Cambodia	USD	211.0	280.3	33%	217.0	280.2	29%
	KHR	862,641	1,145,949		888,838	1,148,008	
Mainland China	USD	285.3	521.3	83%	248.6	459.3	85%
	CNY	1,922	3,516		1,952	3,644	
India	USD	119.6	144.3	21%	122.2	144.7	18%
	INR	9,394	11,333		10,057	11,917	
Indonesia	USD	174.7	204.6	17%	179.0	211.3	18%
	IDR	2,597,135	3,036,784		2,716,525	3,197,769	
Myanmar	USD	75.8	108.2	43%	69.4	111.6	61%
	MMK	146,009	208,652		145,696	234,452	
Pakistan	USD	108.2	130.3	20%	90.0	126.6	41%
	PKR	22,435	26,957		25,000	35,301	
Türkiye	USD	342.4	422.6	23%	492.9	575.4	17%
	TRY	5,693	7,041		11,097	12,961	
Vietnam	USD	163.1	310.5	90%	166.2	320.4	93%
	VND	3,820,393	7,263,867		3,948,854	7,608,976	

<sup>1)</sup> 2023 data includes active and approved manufacturing (tier 1) suppliers for all commercial product types, and covers the time period 1 January–30 September 2023. 2022 data covers the time period 1 January–31 December 2022. As our supplier base changes over time, average wage data is not presented as a like-for-like analysis. All average wage data reflects weighted averages, taking account of the size of each factory and the number of workers. Minimum wage data also reflects weighted averages, taking account of any differences in minimum wage changes during the year, and between regions or states.

<sup>2)</sup> Currency conversions at turn of the month from UN Treasury Operational Rates of Exchange, based on weighted average of monthly result for 2023.

<sup>3)</sup> Real changes in wage data may be obscured by fluctuating exchange rates. Therefore, this year, we are publishing wage data both converted to USD and in the local currency in which they are paid. This increases accuracy and enables greater comparison of wages across markets.

China to understand how we can improve the tool. Results indicated that there is clear interest in the topics and that users are keen to receive additional guidelines and training.

supply chain so that we can target our efforts towards their protection.

- As part of our ongoing efforts to improve drivers' wellbeing and work conditions in our transport supply chain, we are piloting a spot-check tool with &Wider, CSR Europe and the Responsible Trucking Platform. The tool regularly surveys truck drivers about their experience at work — both with their employers and at the facilities where they load and unload goods. Our aims are to ensure drivers' rights are respected and to identify and address any areas for improvement. We have completed the first round of surveying which enables us to evaluate needs and priorities and will carry out a second round of checks to measure our progress.

- Our health and wellbeing project in Indonesia continues to empower women in our supply chain through trainings on wealth, reproductive health, malnutrition and gender-based violence. Working together with the United Nations Population Fund (UNFPA), we reached 9,226 workers and enrolled 7 production units in 2023. The programme has engaged 54,226 workers since 2019.

## Progress: compensation, benefits & social protection

- Rising inflation around the world underscores the importance of our commitment to fair wages and responsible business practices. We continued to partner with suppliers to encourage implementation of factory-level programmes in support of worker engagement, workplace dialogue, and wage management systems. Increasing the transparency and governance of wage management systems is effective in driving improvements of working conditions and wages, as well as boosting productivity and overall factory

## Progress: logistics

Key 2023 findings from our distribution centre audits were that temporary agency employees are not fully aware of their employment terms, and external workers are not aware of available grievance mechanisms. We will focus on increasing awareness of effective grievance mechanisms among our partners, prioritising third party logistics and labour agencies.

Together with members of Responsible Trucking and &Wider, we conducted two working conditions surveys with drivers in our European supply chains. Drivers highlighted strengths including regular inspections and truck checks, clear and accurate information on wages and working hours, no withholding of identification documents by their employer, and a discrimination-free environment. Most drivers reported they receive the number of leave days they are legally entitled to. Areas for improvement included incidents with longer working hours, not enough rest time, and uncertainty over permission to join unions. In addition, not all drivers reported they are paid for every hour they have worked.

This process confirmed our assumptions regarding transport supply chain risks and highlighted potential additional risks for us to investigate further. We plan to conduct further surveys so we can better understand, assess and address these risks, together with our business partners.

performance. In 2023, 4 additional factories joined the wage management system, and 10 units implemented a wage grid.

- We are pleased that additional brands have agreed to join the Employment Injury Scheme (EIS) Pilot for workers in the export-oriented garment sector. This initiative was launched by ILO and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in Bangladesh and our country manager is a member of the Board. We regularly receive data and insights on occupational accidents, diseases and rehabilitation.
- Read more about our work on purchasing practices on [page 83](#).

## Progress: labour rights & industrial relations

- 823,656 workers in our tier 1 supply chain are covered by our National Monitoring Committees (NMCs) in Bangladesh, Cambodia, India, Indonesia, and Türkiye. In 2023, workers raised 23 issues with these committees, 21 of which were resolved. The majority of issues raised related to compensation and benefits, and severance payment.
- Our NMCs were evaluated by Jyrki Raina — Global Industrial Relations Expert and former General Secretary of IndustriALL — to assess the impact of our partnership and the strength of our collaboration in priority production markets. Union interviewees say that the level of inclusion, participation and empowerment makes H&M Group different from other brands with or without Global Framework Agreements (GFAs). Raina found that no other GFA had this implementation structure, and this unique platform has built trust and dialogue between all parties, but that

continued commitment from all signatories is necessary. Case handling routines need to be updated, and each NMC needs to understand how to allocate time and resources to promote decent work, social dialogue in particular, with partners. Continued awareness raising at all levels is required, and Raina notes that organising and collective bargaining remain challenging.

- We began the process of setting up an NMC in Pakistan, together with IndustriALL affiliates, and continued to invest in increasing NMC capacity and scale.
- We handed ownership of our collective bargaining agreement (CBA) benchmarking tool to union

affiliates. Employee representatives now have direct control over the process and can compare processes to set up and manage CBAs.

- In Vietnam, we partnered with CNV International, the development organisation of the Dutch trade union CNV, to promote multi-employment CBAs and improve social dialogue in the workplace as well as working conditions in garment factories.
- We updated our remedy guidelines and added guidance on stakeholder engagement during case handling. This will help improve communication with stakeholders during the case handling process, and ensure that all internal staff understand why this is important.

## Our updated Labour Rights Survey

In partnership with SHIFT, we updated our Labour Rights Survey, which monitors workplace dialogue and grievance mechanisms. We commissioned SHIFT to advise on grievance mechanisms data as we recognised gaps in our assessment when mapping the data against the UNGP framework. SHIFT's recommendations included reducing the number of questions and updating language to increase the quality of the data we received. The management survey consists of 18 questions, while the worker survey contains nine. More than 205,000 workers completed the worker survey which we combined with a selection of Higg Facility Social and Labor Module (FSLM) ([see page 78](#)) data to develop a holistic view of our factories' grievance mechanisms.

As a result, we have visibility of how effective factory grievance mechanisms are and of which mechanisms provide remedy in line with the UN Guiding Principles (UNGPs) Reporting Framework. Strategic suppliers' operations are evaluated on three levels: existence of grievance mechanisms, functionality of social dialogue, and efficacy of internal processes and access to remedy. Following the assessments, we work with suppliers to create tailored roadmaps designed to improve performance.

We continue to explore how we can have a positive impact in this area. We are now able to accurately evaluate performance in our supply chain and will create a suite of materials to support factories' improvement plans, such as case studies and templates.

- Through our participation in the Swedish Workplace Programme (SWP), we tested a new approach to enhance dialogue systems and support worker engagement at a supplier factory in Vietnam. This encouraged management and employees to jointly solve problems.

## Progress: gender equality

- We continue to train our colleagues and IndustriALL affiliates on gender-based violence and sexual harassment (GBVH). Together with Jane Pillinger (Ph.D) — a global expert on gender equality and gender-based violence at work — we have created a guideline for our tier 1 suppliers that details best practices to eradicate GBVH and embeds them in our minimum requirements and recommendations for suppliers. The guideline covers prevention, investigations and case handling, and monitoring systems, and is available in local languages. Suppliers are encouraged to review the guideline, work with worker representatives or trade union representatives if applicable to undertake a gap analysis, and prioritise actions for improvement.
- We strive to include marginalised populations in our supply chains and continued to work with various stakeholders focused on our commitment with TENT to support the ethical recruitment of refugees in Türkiye. Political uncertainty, economic downturn and earthquakes in the country have hindered the initiative's ability to meet its target of 2,000 refugees recruited. The cumulative number of refugees employed in our supply chain in Türkiye since 2019 is 828, at 71 supplier factories.<sup>1</sup>

<sup>1)</sup> Several factors make it difficult for suppliers to commit to the scheme, for example the aftermath of the pandemic and political tensions. This will impact the total number of refugees reached by this initiative.

We surpassed our goal of involving at least 40 factories in this initiative.

- We partnered with UN Women to end violence against women and girls in India. Women's Empowerment for Textiles — Textile Industry Coalition (TiC) is a three-year project that aims to promote positive social norms, attitudes and behaviour in the state of Tamil Nadu. Following the creation of the project's scope, we are now establishing a multi-stakeholder coalition with the Tamil Nadu state government, apparel brands, manufacturers and civil society organisations. The initiative will focus on identifying solutions to address gaps in gender protection in production clusters and developing empowerment hubs.
- To promote the increase of female supervisors in Türkiye, our Women Career and Development programme has been rolled out to 33 production units since 2021, including 7 that were added in 2023. At the end of 2023 the share of female supervisors increased from 30% to 40%.
- Up to the end of 2023, 37 H&M Group supplier factories have enrolled in the Mothers@Work programme — a partnership between Better Work and UNICEF in Bangladesh that promotes minimum standards related to maternity rights and breastfeeding at work.
- In 2022, we signed the Dindigul Agreement, with the Global Labor Justice — International Labor Rights Forum (GLJ-IRLF) and the Tamil Nadu Textile and Common Labour Union (TTCU) to ensure that workers at Natchi Apparels in Tamil Nadu can go to work safely and without fear of GBVH. We recognise that GBVH is a threat to workers in our industry, and will use the learnings from this partnership to prevent GBVH across our supply chain and increase visibility of this issue.



## Learnings & future focus

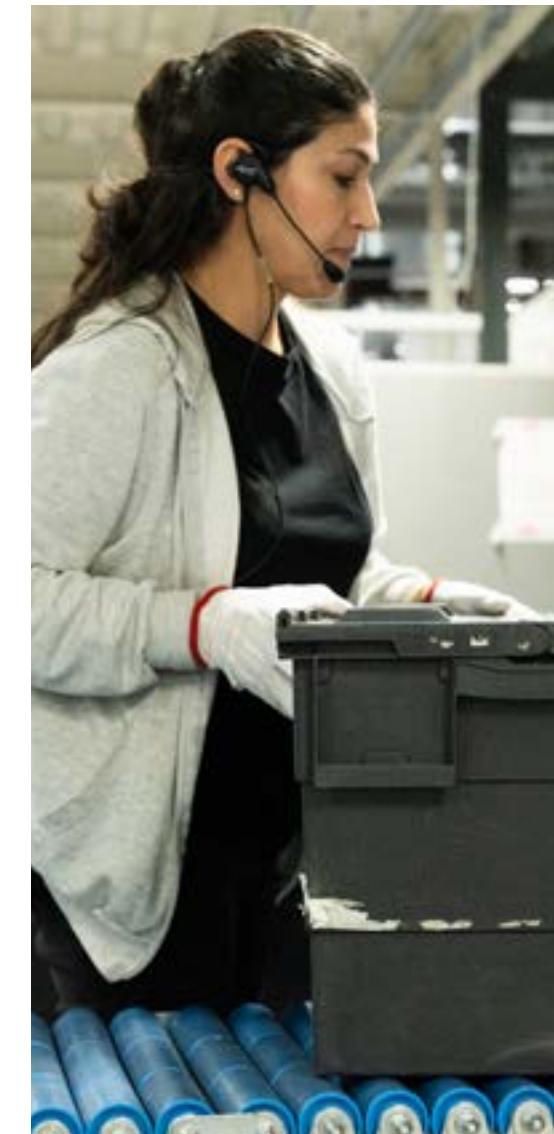
- Most grievances at factory level are verbally handled by supervisors, usually immediately or in the following hours. This means we can prioritise middle management training on conflict resolution, active listening, and human rights, but makes it difficult to quantify impact and use data to assess grievances. Supervisor engagement is an opportunity for awareness raising and empowerment but also a measurement challenge due to the informal nature of their work.
- Read more about our approach to phasing out sourcing in Myanmar on [page 78](#).
- We are increasing our focus on impact and have consolidated business volumes into fewer strategic suppliers — read more on [page 78](#). This will enable us to grow with our partners in a collaborative way, moving away from a transactional business model and creating more value for all, from our customers to the factories that make our products. We clearly outline our expectations for these strategic suppliers and create tailored roadmaps to support suppliers in their improvement journey.
- We will continue to increase access to our self-led learning platform for suppliers and translate its content into additional languages to reach additional stakeholders in our supplier base.
- We continued to streamline processes and strengthen our due diligence and sustainability commitments with our construction and facility partners. While it can be challenging to educate and persuade landlords to change their ways of working, we have received positive feedback

on our sector-leading initiative and continue to engage with partners to find solutions that are viable for all. Progress on this roll-out is tracked as part of our risk management procedures.

- To strengthen our holistic impact, we will create a guideline focused on mitigating risks in the recycling and waste picking workforce engaged in our value chain.
- In late 2023, we developed a model to evaluate the sustainability performance of business partners connected to our stores. In 2024 we are piloting our sustainability self assessment model for construction and facility management suppliers in all our sales markets, and for landlords in 25 sales markets.
- Despite partnering with the Responsible Trucking Platform and anonymising the spot check tool feedback, we found truck drivers to be hesitant to share their work experience with us. We're working with the Responsible Trucking Platform to develop a checklist and ensure drivers have access to decent facilities when waiting for their trucks to be loaded and unloaded. We are also preparing risk assessments and audits for transport services. These will include tools such as spot checks to determine priority areas for action and they will be piloted in high-risk countries in 2024, with a view to rolling them out more widely in 2025.
- We will increase efforts to phase out recruitment fees by 2025 throughout our value chain, by widening our strategy in order to also cover warehouses as well as temporary and recruitment agencies.

— Gender-based violence and harassment (GBVH) is an important issue that is relevant to many of our risk management processes: social dialogue, grievance mechanisms and occupational safety and health. It is also closely linked to social and cultural contexts. Our approach to GBVH prevention and women's empowerment must therefore be people centred, comprehensive, inclusive and adapted to local norms. This process takes time and nuanced metrics to measure progress.

— Our recent gender pay gap study suggests that we should focus efforts on countries that have the greatest gaps; continue our work on wage management systems as these seem to have a positive effect on inequality; invest in women's skill development; and continue to generate high-quality data for better insights. We will continue to collaborate with Professor Robertson to better understand the root causes of the gender pay gaps and factors that hinder or incentivise female workers to invest in their careers.





## Detailed wage & worker data for 2023<sup>1</sup>

In 2023, we continued to monitor the wages paid to workers by our production suppliers' factories. In this section, we present this data for the first nine months of the calendar year.

Our commitment is to contribute to the full enforcement of statutory minimum wages and wage levels agreed through collective bargaining, while at the same time supporting an increase of wages over time. Alongside average wage data, we present available data about the number of workers employed in suppliers' factories for the first nine months of the year.

We share data for nine months rather than the full year as we collect the data directly from suppliers and the most recent data is in the process of being verified at the time of reporting.

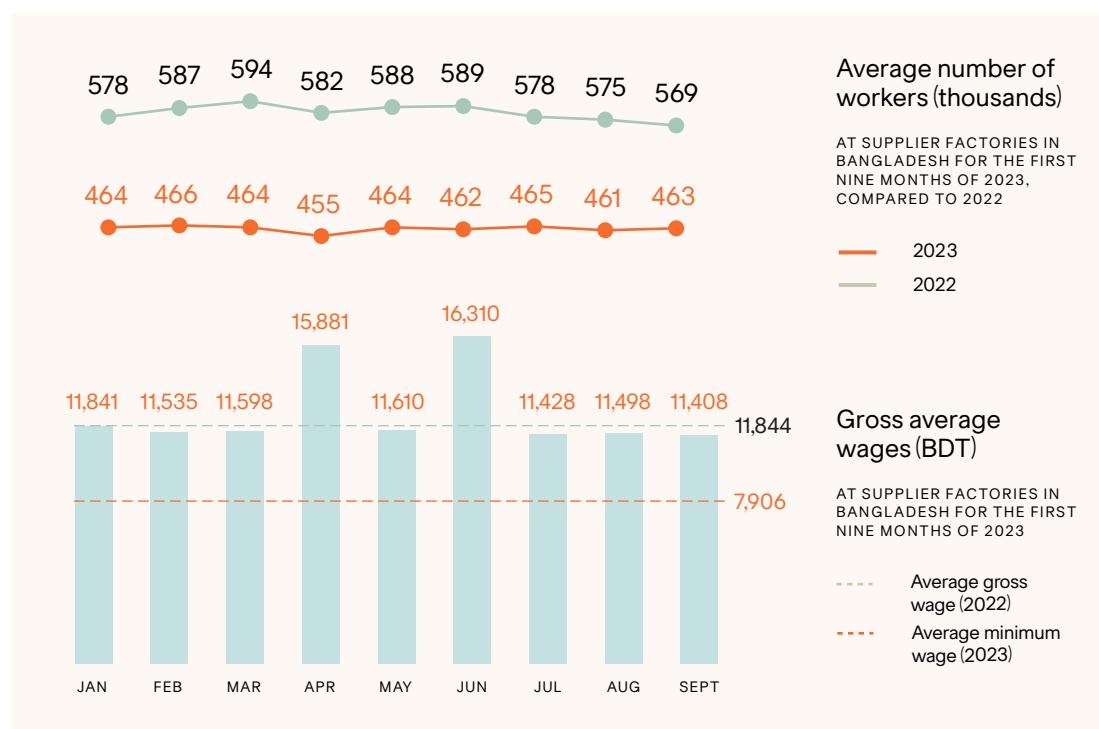
<sup>1)</sup> Worker data covers workers at active manufacturing (tier 1) factories for all commercial product types that have shared complete worker data points with H&M Group for the equivalent months in 2023 and 2022.

## Bangladesh

Average wages in Bangladesh increased during the first nine months of 2023 compared to 2022, with peaks in April and June as workers received festival bonuses in these two months. Bangladesh experienced high inflation during the year, which affected the real take-home wage during the period. In addition, in 2023 Bangladesh experienced fuel shortages, especially of natural gas. This contributed to increased electricity and gas prices and led to electricity cuts, with consequent effects on supplier production.

The minimum wage for garment workers in Bangladesh was revised for the first time in five years. Due to the lack of consensus between the parties, negotiations sparked mass demonstrations and hostilities in October and November, which resulted in loss of lives and factory closures.

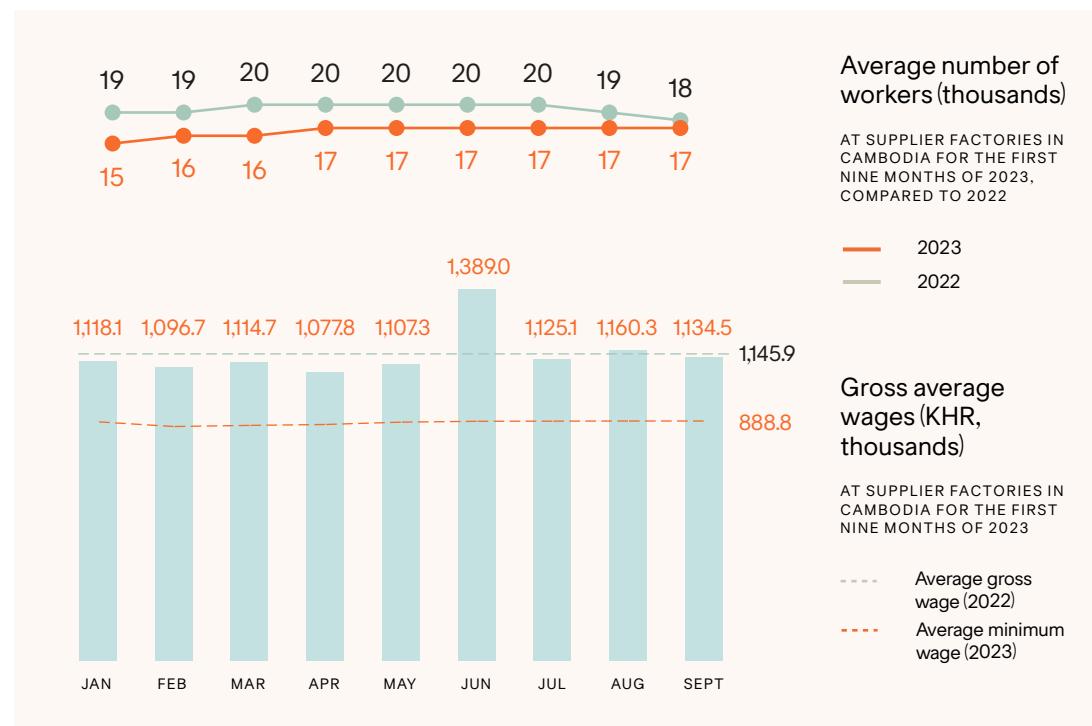
From 1 December 2023, the new minimum wage in Bangladesh was finalised at BDT 12,500 (USD 113) per month (BDT 8,098 / USD 90 in 2022), an increase of 56%.



## Cambodia

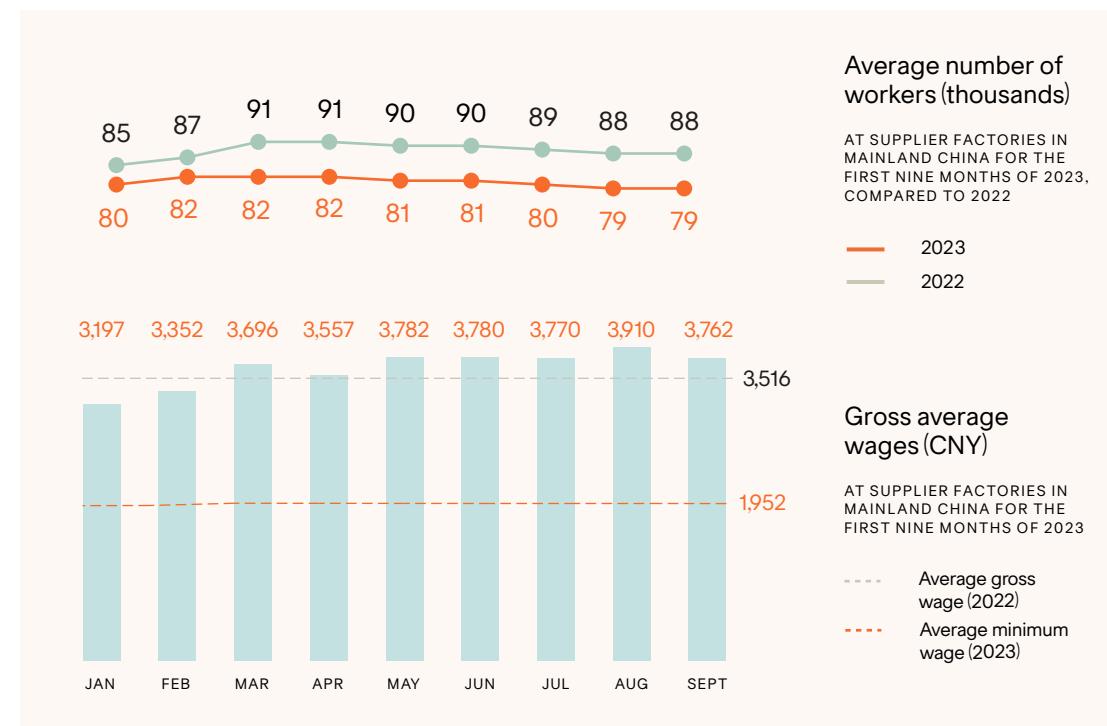
In general, 2023 saw a significant number of factories in the garment, textile and footwear sector suspend operations in Cambodia. Following the Covid-19 pandemic, the 2022 recovery was hampered by sluggish increase in global demand and subsequent low levels of export to the US and Europe. The Cambodian government extended the pandemic cash relief scheme to support affected workers during suspension periods.

Our suppliers were among those affected, having to partially suspend operations for up to one or two months in the first half of the year. Average wage levels for the first nine months were therefore slightly lower than for 2022. Wages spiked in June due to eligible workers receiving a half-year seniority indemnity payment, then dipped in July due to another wave of factory suspensions. The statutory minimum wage was increased in January 2023 to KHR 888.8 (USD 217) per month (KHR 862.6 / USD 211 in 2022). The number of workers is lower than in 2022 due to a number of factors. Some suppliers decided to downsize their business in Cambodia, which added to this effect.



## Mainland China

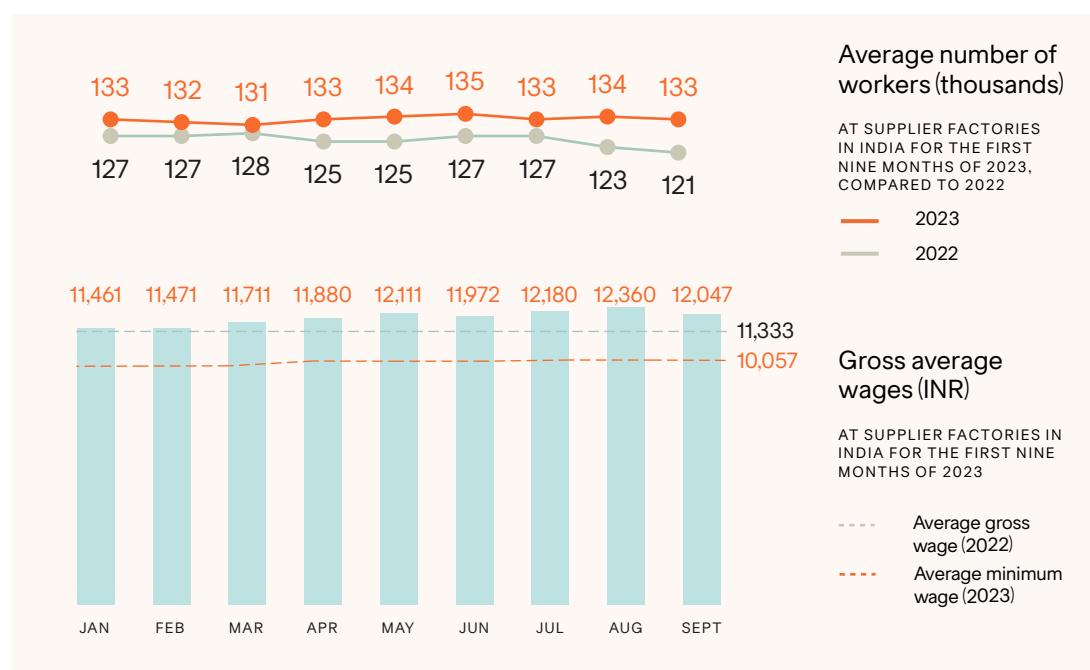
From January to September 2023, worker numbers among our suppliers were lower than in 2022. This decline is primarily due to a reduction in demand experienced by suppliers, coupled with the global economic downturn. Despite these factors, the average number of workers was stable throughout 2023.



The dip observed in wages in January came as a result of the annual Chinese New Year Holiday. This follows a pattern observed every year. Compared to the same period in 2022, in the first nine months of 2023 average gross wages in mainland China showed a positive trend for our suppliers.

## India

India's strong economic recovery following the Covid-19 pandemic continued into 2023, with sustained business stability evident across various sectors. Notably, average monthly wages experienced a consistent upswing through the first nine months of the year. The Indian government revised the national minimum wage in 2023, with a general average increase of 5%. Different states in India adopted distinct scales and timelines for minimum wage revisions, resulting in variations across regions. Overall, the country recorded a 3%-6% elevation in minimum wages (local currency) in 2023 compared to 2022, resulting in a weighted average increase of 7.8%.

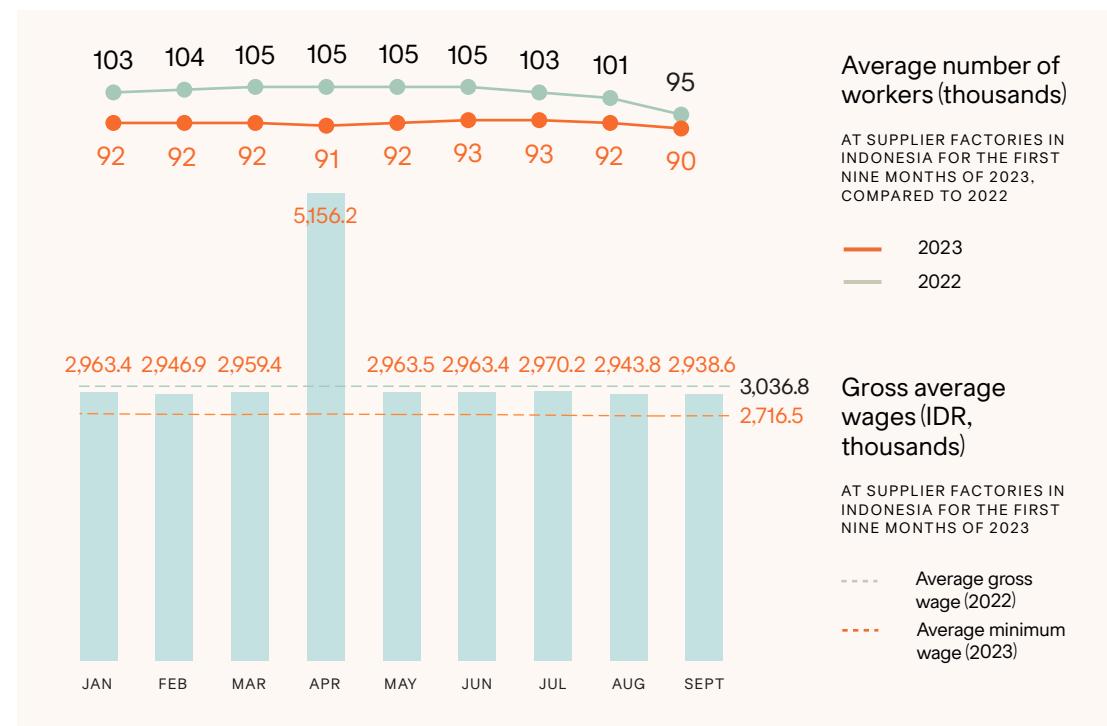


The positive economic landscape also translated into improved employment conditions, with stable worker levels observed at our suppliers throughout 2023. To further bolster employment and align with the national initiative 'Make-In-India', the government extended various advantages to employers in specific regions and industries. This included financial incentives, logistical support, workforce assistance, capital infusion, and other infrastructure support. The net result was a reduction in overheads for businesses, including benefits related to social security, duty exemptions, regulatory permits, and the integration of digital tools.

## Indonesia

On 1 January 2023, the minimum wage in Indonesia rose by 1.18%, aligning with prevailing regulations and within the established range. In the first nine months of 2023, there was a consistent yet generally minor fluctuation in average wages compared to those of 2022. Notably, in April, there was a substantial increase in the average wage, attributed to the Festival Bonus disbursed by employers.

There is a slight downward trend in the overall number of supplier workers in 2023, compared to 2022. This decline is primarily due to a reduction in demand experienced by suppliers, coupled with the global economic downturn. Despite these factors, the average number of employees has maintained stability throughout the nine months in 2023.



## Myanmar

There was a decline in the number of workers in our active suppliers in 2023 compared to 2022. This is partly because of a decrease in production in our supply chain. The decline was especially significant between February and May, as workers left before the Myanmar new year holidays.

The statutory minimum wage in the country has not been adjusted since 2018 and there has been no general wage increase in the country for many years.

However, by June 2023 several factories had increased wage levels, which also positively impacted worker overtime premiums. These wage improvements were introduced unilaterally prior to the October announcement by the Myanmar government to supplement the current minimum wage with an additional 1,000 Kyat per day. Wage levels in Myanmar, however, remain low compared to international levels.

## Pakistan

During the reporting period, 2023 average wages in Pakistan increased compared to 2022, with some fluctuations throughout the first nine months of the year. Wage levels peaked in July as annual bonuses were provided. In addition, the new statutory minimum wage was applied from this month onwards — increasing to PKR 25,000 (USD 90) compared to the previous PKR 22,435 (USD 108). Overall, Pakistan

experienced high levels of inflation during 2023, which has affected price levels and cost of living. The number of workers reduced throughout the year, ending up at lower levels than 2022. This was mainly caused by suppliers experiencing a decline in demand following the global economic downturn.



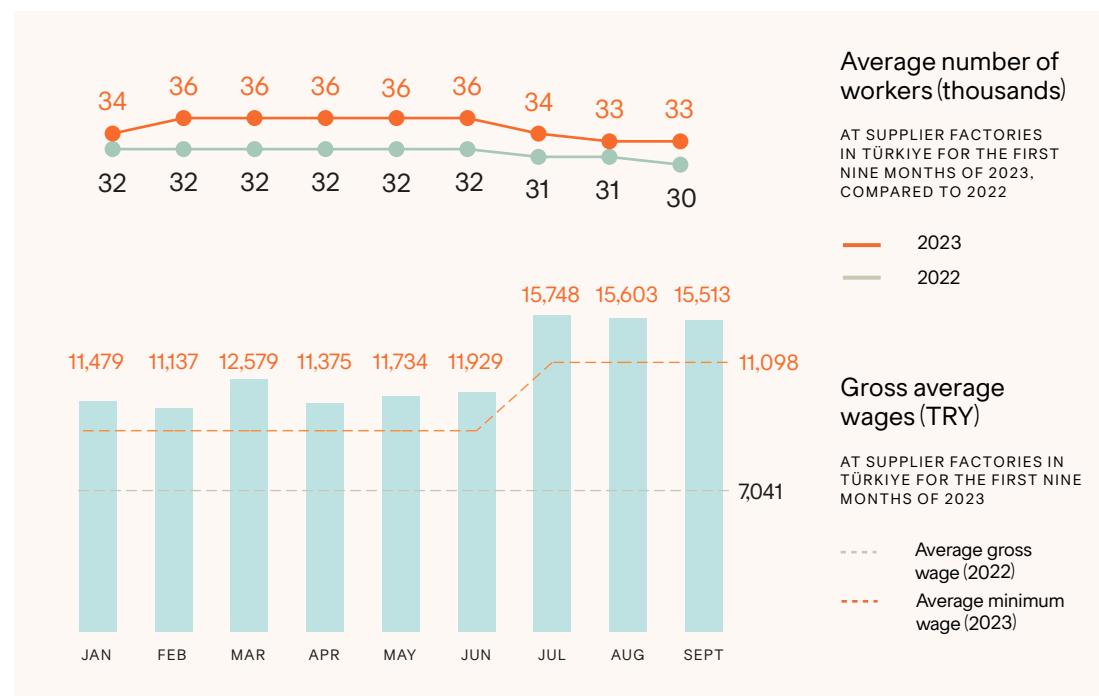
## Türkiye

In 2023, Türkiye continued to experience macroeconomic challenges. Despite improved inflation rates compared to the previous year, annual inflation reached 62% in November 2023, which affected currency rates. The country was also heavily affected by geopolitical issues and the earthquake in the southern part of the country.

Because of the devaluation of the lira, the Turkish Government decided to increase the statutory minimum wage twice during the year — by 54.66%

in January 2023 and by an additional 34% in July 2023. Consequently, wage trends in the country were directly affected and the difference between average gross wage levels and minimum wage decreased due to this rapid development.

The current economic outlook suggests a continued decrease in the inflation rate in Türkiye during 2024. Because of this, indications are that the Turkish government is considering increasing the statutory minimum wage only once — in January 2024. Despite the economic challenges, the number of workers at our suppliers remained largely consistent in the first nine months of 2023, compared to the previous year.



## Vietnam

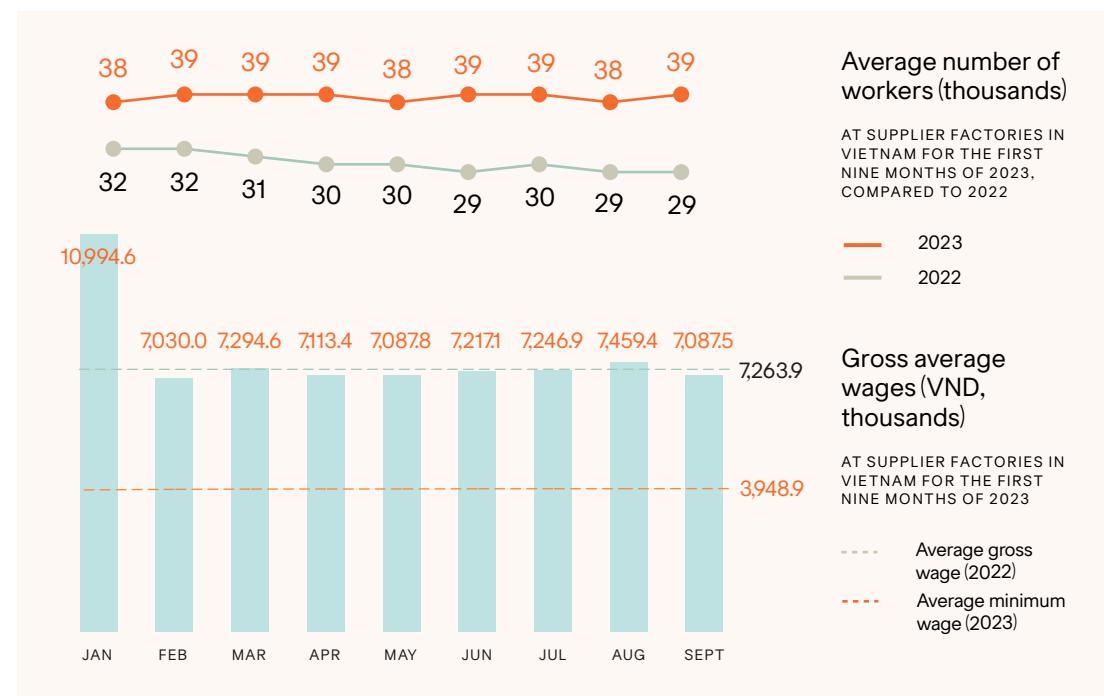
Wages in Vietnam saw minor fluctuations in the first nine months in 2023, with the highest wages paid in January due to the 13th month bonus payment — an added benefit that factories provide outside the country's legal requirements.

The Vietnam government utilises a minimum wage grid system that is applied across the country. The minimum wage varies depending on where a factory is located, mainly to attract workers to certain industrial zones. Given the current shortage of workers in Vietnam, the government has increased

the minimum wage levels and may continue to increase them further in 2024.

Our supplier factories continued to raise wages to attract and retain workers in competition with other industries. However, many factories are still experiencing negative effects following the Covid-19 pandemic.

Notably in June 2023, electricity cuts were evident across Vietnam, with severe impacts in the north of the country. Many factories were unable to operate or had to resort to using a backup generator to maintain operations. This led to an increase in fuel and electricity costs.



# Communities & customers

We have an opportunity to support and champion people beyond our value chain, especially in times of global uncertainty, conflict and environmental crises. Our aim is to empower communities and customers to create positive change.

We engage with the communities outside our value chain where we and our suppliers operate — supporting initiatives that focus on climate, nature, inclusion, diversity and equity with a focus on marginalised, underprivileged and vulnerable people.

Our contributions include donations, paid employee volunteering, and partnerships with NGOs such as WWF, the TENT Partnership for Refugees, the United Nations Children's Fund (UNICEF), the United Nations High Commissioner for Refugees (UNHCR), Save the Children and many more. To accelerate our efforts, we partner with Business for Societal Impact (B4SI), the global standard in measuring and managing social impact.

## Progress

- In response to the conflict in Ukraine, H&M Group continued to support through in-kind donations and money raised through our customers. Our customers donated nearly SEK 13 million in stores and online, in collaboration with our payment provider ADYEN. To accelerate our support, in 2023 we partnered with UNHCR and Save the Children to support rebuilding programmes for Ukrainian communities.
- To support the people affected by the 2023 earthquake in Türkiye, we made in-kind and cash donations totalling SEK 6.7 million and our customers donated a further SEK 2 million.
- Our community engagement programme My Store continued to expand in Central Europe, engaging

customers and colleagues on local sustainability issues. 260 stores currently participate in the programme across Central Europe (245 stores) and India (15 stores) — up from 207 in 2022.

- Our volunteering programme gives colleagues up to eight hours of paid volunteering time annually. We launched our new Corporate Volunteering framework to empower and support employees to volunteer in activities that contribute to communities, such as tree planting, refurbishing community spaces and virtual mentoring.
- H&M HOME continued to support the SNEH project. SNEH empowers women in rural India to learn a new craft, which increases their chances of economic freedom and equality.
- H&M HOME collaborated with Save the Children to help set up Child Friendly Spaces in areas of conflict, disaster, and other emergencies. These spaces provide children with a safe environment where they can learn, play, and socialise.
- H&M Move's community programme Move Together supports young people to move together by removing barriers, sharing resources, and creating collective energy for a more inclusive world. Examples include global collaboration with Special Olympics and partnerships with Sport Without Borders in Sweden and Laureus Sport for Good in Italy — all using sport as a tool for positive social impact.
- H&M Kids collaborated with the Kids Rights Foundation on a change maker programme — State of Youth Kids — as part of H&M's global Role Models initiative. The programme provides an online tool for children to learn about their rights and the UN Sustainable Development Goals, and to develop into a change maker.

— & Other Stories collaborated with digital storytelling platform PRIM, which aims to amplify and lift queer, black voices. Activities included a pop-up bookshop and library curated by PRIM in the brand's Regent Street store in London, alongside regular takeovers on Instagram.

— For International Women's Day, & Other Stories partnered up with Irish-Indian poet Nikita Gill to spark inspiration and prompt a conversation about women today. The campaign included an exclusive poem by Gill, entitled 'A Sacred Story', and donations to CARE.

## 2023 data

### Community engagement<sup>1</sup>

	2020	2021	2022	2023
Total number of beneficiaries	-	368,000	745,517	686,119
Total contributions	-	SEK 180.4 million	SEK 114.2 million	SEK 169.6 million
Total in-kind giving	-	SEK 134.5 million	SEK 50.3 million	SEK 103 million
Total cash contributions	-	SEK 38.8 million	SEK 52.7 million	SEK 59.4 million
Total management overheads	-	SEK 6.3 million	SEK 9.0 million	SEK 6.7 million
Total employee volunteering	-	SEK 0.8 million	SEK 2.1 million	SEK 0.5 million
Total number of collaboration partners	-	-	137	117
Total number of colleagues engaged in community programmes	-	-	12,763	13,493
Total number of customers engaged in community programmes	-	-	717,019	828,115

<sup>1)</sup> We introduced new KPIs in 2021 as we progress our inclusion and diversity ambitions and begin tracking change in our community investment and engagement programmes. New KPIs introduced in 2022 support tracking of our partnerships and colleague and customer engagement.

— H&M has been partnering with Buy From a Black Woman since 2021. In 2023, H&M USA continued to sponsor the non-profit's Black Woman Business Accelerator Program. This ten-week business training course features a structured online curriculum led by experts to assist Black Woman Business Owners in the different ways they can grow, while providing an opportunity for funding access. Internally, H&M USA will both sponsor eligible colleagues who wish to join the Buy From a Black Woman online directory and network and spotlight the non-profit's various businesses throughout the year.

— Monki collaborated with Body Dysmorphic Disorder Foundation (BDDF) again for International Women's Day to further raise awareness around the topic.

— COS invested in non-profit organisations to improve gender equality in communities around its supply chain. This included funding the local Turkish organisation Yanındayız Derneği to deliver trainings on gender equality and gender-based violence and harassment (GBVH) that activate men's participation in the discussion. The organisation aims to reach 5,000 female and male workers, as well as the wider community.

— COS also partnered with CARE Bangladesh to fund the establishment of women friendly spaces (WFS) that provide education on how to address GBVH, problem solving and decision making, stress management, sexual and reproductive health and rights (SRHR) and food and nutrition, alongside psychosocial support, and counselling — to over 4,000 women including 2,000 garment workers and 1,000 workers' family members. The project is part of the wider programme Oporajita — Collective Impact on Future of Work — initiated by H&M Foundation.

— To help women and non-binary people enter jobs in the field of science, technology, engineering and maths (STEM), we are rolling out STEM programmes in the UK and South Africa, in partnership with social enterprise Stemettes. The programmes provide one-to-one mentoring and participation in networking events, as well as encouraging participants to explore STEM's contribution to a sustainable fashion future.

— We collaborated with Milkshake Festival and TikTok to celebrate Pride in Amsterdam, hosting panel discussions on topics such as Queer self-expression and year-round company support of the LGBTQIA+ community. We provided Milkshake performers and guests with H&M Rental on the TikTok boat.

— Our head office in Sweden has partnered with Samhall, the Swedish Public Employment Service working to create enriching jobs for people with disabilities, since 2018. Today, around 30 Samhall employees work at H&M Group IT as office ambassadors, ensuring that the workspaces in the offices at Marievik are kept pristine.

## Learnings & future focus

— We recognise the importance of contributing to positive impact beyond our core business, especially in times of crisis. We will continue to focus on community and customer engagement in 2024.



## Prioritising child safety

When making products for children, safety is paramount. It is a core focus for all roles working with children's products and vital at all stages of product development — from the initial idea creation to the production floor.

Our child safety experts set guidelines to educate our employees on the latest safety requirements and trends. We base our child safety work on legal requirements and knowledge about how children behave, as well as taking account of customer feedback on our products. All cases concerning product safety incidents are carefully investigated and inform continuous improvement.

Chemicals are essential in our everyday lives, but some are hazardous. Our chemical restrictions ([page 30](#)) take account of the sensitivity of our most vulnerable customer group, with stricter product chemical requirements for babies and children. Through progressive chemical management, we have phased out many hazardous substances ahead of legislation, for example PFAS (Per- and Polyfluorinated Substances) and DMF (Dimethylformamide).

We continue to collaborate within our industry to influence and drive progress on product safety. We do this by sharing our knowledge, expertise, best practices and challenges with others — participating in events, debates and supporting the setting of international product safety standards.

# Governance & how we report

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Governance

# Key sustainability policies & standards

## HUMAN RIGHTS POLICY

— [Human Rights Policy](#)

## ENVIRONMENTAL POLICY

— [Environmental Policy](#)

## H&M Group

### OUR OWN OPERATIONS

- [Responsible Business Conduct Policy](#)
- [Code of Ethics Employees](#)
  - [Social Policies](#)
  - [Privacy Policy](#)
  - [Tax Policy](#)
- Digital Ethics Policy and Principles (internal)
  - [Whistleblowing Policy](#)
  - [Responsible Marketing Guidelines](#)



### BUSINESS PARTNERS

- [Code of Ethics Business Partners](#)
- [Sustainability Commitment](#)
- [Child Labour Case Handling Guidelines](#)
- [Home Worker Guidelines](#)
- [Guideline on Responsible Recruitment of Migrant Workers](#)



### MATERIALS AND PRODUCTS

- [Animal Welfare Policy](#)
- [Chemical Restrictions](#)

For more on H&M Group's policies and standards see our [Annual and Sustainability Report](#).

## Governance

# Engaging with our stakeholders

Collaboration between stakeholders throughout our industry and across industries is vital to accelerating positive change. By listening, sharing knowledge and learnings, developing joint frameworks and shared ambitions, we can achieve greater transparency, accountability and progress together.

We engage with our diverse stakeholders in various ways, such as formal partnerships, project- or issue-specific face-to-face dialogue, regular webinars, roundtables and structured surveys. We manage our interaction with our stakeholders through a tailor-made contact management system and set annual engagement strategies lead by a dedicated stakeholder engagement team.

We are adapting our approach to stakeholder engagement to align with emerging legislation. Our stakeholders represent or are themselves rights holders and affected stakeholders. These are individuals or groups that have interests that are or could be affected by H&M Group's activities. We regularly engage with our stakeholders to determine our most material issues — the areas in which we have the most impacts, risks and opportunities. Read more about our materiality assessment process in our [Annual and Sustainability Report](#).

## Our stakeholders

Our stakeholder groups include:

- **Customers of our brands, businesses and ventures.** The continued success of our business depends upon our ability to understand, meet and exceed our customers' needs and expectations, as well as our engagement with customers to scale circular business models.
- **Colleagues across H&M Group.** Our diverse colleagues around the world bring their ideas,

creativity and energy to work every day, helping to make our business better. They also play a vital role in putting our sustainability initiatives into action.

- **Supply chain workers.** The people working in our supply chain are vital to our business — they provide raw materials, make our garments and deliver vital services and products to help us run our business. We engage with this important group through representative groups such as trade unions, as well as via anonymous surveys.
- **Communities.** We aim to have positive social and environmental impacts in the local communities where our stores, offices, distribution centres and supply chains are located, as well as on our customers, colleagues and other affected stakeholders. We work actively to listen to feedback from affected communities and their representatives, and use their input to inform our decisions.
- **Business partners.** By collaborating with our manufacturers, suppliers of commercial and non-commercial goods, service providers and franchise partners we can share learnings and raise industry standards.
- **Experts and innovators.** The potential solutions to environmental and social challenges are wide ranging and can be complex. We work with experts — including peers, academics and researchers, non-governmental organisations and multi-stakeholder initiatives — to develop ideas for systemic change and create positive impacts beyond our business. We invest in, support and champion innovators of processes, materials and infrastructure that will support vital change in our industry.

— **NGOs and opinion formers.** Constructive criticism and challenge help us to learn and improve, and ensure we take accountability for our actions. We welcome scrutiny and benchmarking against our peers from NGOs and others who push us and our industry to do better.

— **Investors and analysts.** As a publicly listed company, we engage closely with our investors. Analysts track and assess our sustainability performance, offering an important source of intelligence for our investors and wider stakeholders. We hold ongoing dialogue with these groups and integrate their feedback into our strategy and reporting.

— **Policymakers.** To influence legislative change that supports industrywide environmental and social progress and vital systemic shifts, we engage with policymakers and international institutions. Read more below.

— **Media.** As a global brand, the media takes an interest in our activities. External visibility drives us to be transparent and accountable for our actions.

## Dialogue with policymakers

Through our public affairs work, we advocate for clear, realistic and effective sustainability legislation that accelerates positive change and transformation in our industry. We support a legal framework that levels the playing field, harmonises policies and aligns to international standards. Increasingly complex legislation and heightened scrutiny of our industry present challenges, although ultimately we see these as positive contexts because they drive progress towards our sustainability goals.

Our approach is progressing from agenda setting and policy shaping, to informing and reacting to concrete

## Stakeholder feedback

Every year we invite our stakeholders to participate in our stakeholder perception survey to gather feedback and insights. We use the survey to inform where we are performing and should continue to accelerate, which areas we need to improve and to continue to set our priorities in line with our stakeholders' expectations. In 2023, 80 stakeholders participated in the survey (97 in 2022 and 96 in 2021). We want to thank our stakeholders for their valuable time and input.

We are pleased to see a slight increase in how our stakeholders see our overall sustainability performance. 73% of respondents agree or strongly agree that H&M Group is taking the lead among fashion retailers for social and environmental sustainability (72% in 2022), with a continued high level of trust and positive perception when interacting with us.

We learned that 56% of respondents (up from 40% in 2022) rate our climate work as good or very good. There has been an increase in how our stakeholders perceive our transparency (62% good or very good this year, up from 50% in 2022), and our performance on fair jobs, inclusion & diversity, human rights, and innovation.

We learned that we need to be clearer on how our circularity strategies move to larger scale and use clear impact measurements to monitor progress. This is something we take with us going forward.

policy proposals and preparing for upcoming legislative developments.

## Priority policy areas

Our priority focus areas are those most relevant to our sustainability work, and which hold the most potential for positive impact:

- **Energy & climate change.** We advocate for policy that aims to limit global temperature rise to 1.5°C and support legislation that accelerates the decarbonisation of our value chain. This includes support for regulations that enable Power Purchase Agreements (PPAs) in our production markets, to accelerate the transition to renewable energy and electrification in our industry.
- **Circularity.** We advocate for clear and realistic legislation that supports the circular transformation and addresses how our goods are produced, consumed and managed at their end of life. In addition, we work to support production markets with their recycling capabilities, most notably to meet future EU requirements.
- **Chemicals.** Harmonised, effective and ambitious chemicals legislation will help us advance our own chemicals strategy.
- **Transparency and traceability.** We advocate for a harmonised legislative landscape that ensures the credibility and accountability of our sustainability claims and promotes transparent, accurate and relevant information about our supply chain, products and business practices.
- **Governance and responsible business conduct.** We support clear legislation aligned with international standards to achieve positive

environmental and social impact along our value chain.

- **Trade.** Trade policy and free trade agreements are both influenced by and influence sustainability regulations. Our involvement in the European Branded Clothing Alliance (EBCA) reflects our commitment to advocate for a trade policy that aligns with our sustainability goals.
- **Artificial intelligence (AI) & tech.** We stay engaged in AI and data-related legislative developments. AI and data systems are important levers for tracking, comparing and accelerating progress towards our sustainability goals.
- We participate in international discussions on our sustainability work, including [COP28](#), the [International Labour Organization](#), the [Organisation for Economic Co-operation and Development](#), the [UN Framework Convention on Climate Change \(UNFCCC\)](#), the [UN Global Compact \(UNG\)](#) Decent Work in Global Supply Chains Action Platform, the [UNG CFO Coalition for the SDGs](#) and the [World Economic Forum \(WEF\)](#).
- We are members of multi-stakeholder platforms and trade associations, including: [ACT \(Action, Collaboration, Transformation\)](#), [AFIRM, Business for Nature](#), [CEIA \(Clean Energy Investment Accelerator\)](#), [Change Chemistry](#), [ChemSec Business Group](#), [Ecommerce Europe](#), [EuroCommerce](#), [European Branded Clothing Alliance \(EBCA\)](#), [Global Fashion Agenda](#), [ICC](#), [Industry Summit](#), the [Pathways Coalition](#), [Policy Hub — Circularity for Apparel and Footwear](#), [Sustainable Apparel Coalition](#), [Textile Exchange](#), [UNFCCC Fashion Industry Charter for Climate Action](#) and [ZDHC \(Zero Discharge of Hazardous Chemicals\)](#).

## Key 2023 activities

- At a global level, we attended COP28 to meet and exchange with policymakers from some of our key production and sales markets, to continue supporting decarbonisation of our value chain. We provided climate related policy recommendations on panels organised by the UNFCCC Fashion Charter as well as ICC Sweden and We Mean Business.
- At the EU level we continued to engage with policy makers to provide support and recommendations on various key files which will enable our circularity strategy.
- In our production markets, we engaged with governments and industry organisations to advance several legislations, mostly connected to renewable energy, trade and circularity. For example:
  - In Bangladesh we supported a [UNFCCC Fashion Industry Charter for Climate Action](#) roundtable to advance policy conversations on renewables with the government. Specifically, we organised a workshop on corporate PPAs together with suppliers and the USAID's Bangladesh Advancing Development and Growth through Energy (BADGE) programme, and subsequently submitted a proposal for corporate PPAs to be developed through legislation. In addition, our former CEO Helena Helmersson met with the Prime Minister of Bangladesh to discuss the need for reforming and liberalising the energy sector, to allow for more opportunities for renewables.
  - In mainland China, we engaged with the National Development and Reform Commission (NDRC) to support the development of policies around green tariff and textile circularity. We advocated for a full international recognition of the national green electricity certificate (GEC) and for a prioritisation of the textile industry in the Memorandum of Understanding (MoU) on Circular Economy signed by China and the EU.
  - In Indonesia, Türkiye and Vietnam we advocated for policy and regulations to support the transition to renewable energy.
  - We continued our support for legislation that incentivises safe chemistry and increased disclosure requirements along the chemical value chain. This included advocating for a prompt and ambitious revision of the EU regulation on the registration, evaluation, authorisation, and restriction of chemicals (REACH) and joining [Change Chemistry](#).

## Learnings & future focus

- One continuous learning is the importance of collaboration within the industry and beyond. Together with policymakers and companies sharing the same progressive mindset, we can shape legislation to create the necessary change.
- To enable progress towards our sustainability goals, we will continue to advocate for clear, realistic and effective legislations that also create a level playing field.
- As the regulatory landscape evolves, we engage with policymakers in our production markets and support our suppliers to navigate the increasingly complex and changing requirements set by governments in our selling markets.
- To support global decarbonisation, we will continue to encourage regulations that enable PPAs in production markets, while advocating for all international institutions and production market governments to support electrification.

Governance

# Supply chain management

Our suppliers are important partners in achieving our business and sustainability goals. By engaging with our suppliers, we can share expectations and understand their challenges. This is a vital foundation to reduce our shared negative impacts on the environment, and to support decent, meaningful jobs with fair compensation and benefits in safe, secure workplaces free from discrimination, which uphold the right to freedom of association.

We are committed to raising the standards in our industry by working with our suppliers to improve environmental and social performance. We constantly evaluate and choose suppliers who share our values — focusing on compliance, long-term partnership, and alignment on environmental and social values. In 2023, we further consolidated our supply chain towards fewer suppliers and strategic partners with whom we conduct the majority of our business. We require all our suppliers and business partners to comply with our Sustainability Commitment and Code of Ethics. For our suppliers of commercial and non-commercial goods, we use a system of risk-based audits and our Sustainable Impact Partnership Programme (SIPP) to monitor compliance and performance. Through SIPP we ensure all suppliers meet our minimum requirements, and we support our tier 1 and 2 suppliers to progress on our sustainability goals. SIPP includes:

- **Minimum requirements:** Audits of new and existing supplier facilities to ensure our H&M Group sustainability minimum requirements are met.

- **Self-assessment and verification:** Self-assessment using industrywide tools including the Sustainable Apparel Coalition's (SAC) Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM), verified by a third party. These tools assess the environmental and social management of our suppliers as part of

the Higg Index. Confirmation of self-assessment is done through SAC and Social and Labour Convergence Programme (SLCP) accredited third parties. The table on [page 81](#) shows the number and share of total factories covered by FEM and FSLM. Read more about our [methods for reporting FSLM data](#).

- **Capacity building:** Identifying priority areas and setting goals for improvement. Providing targeted support or training programmes on topics such as water stewardship, renewable energy or wage management systems.

- **Grievance mechanisms and worker voice:** Ensuring that workers can report concerns and have their voices heard. Depending on a supplier's level of risk or case history, we may require or recommend a factory to invest in a digital grievance mechanism.

- **Dealing with incidents and violations:** Recording and investigating potential incidents of non-compliance. Depending on the severity of the violations, we may issue a letter of concern and a corrective action plan and engage with suppliers and possibly affected stakeholders on remediation actions, including training or changes to policies and processes. We may end business relationships with suppliers with severe incidents of non-compliance, or who do not respond to remediation actions.

In 2023, 100% of tier 1 supplier factories, tier 2 dyeing and printing factories, and 100% of non-commercial goods suppliers and their factories implemented SIPP.

We take a risk-based approach to monitoring our business partners' compliance and apply different levels and methods of evaluation depending on the nature of the goods and services provided. Facilities outside of the Higg Index scope are:

- Small facilities with less than 25 workers.
- Newly constructed facilities that do not yet have a year of data for verification.
- Facilities with low business, unable to cover the costs of Higg modules and verification.

## Responsible exit from Myanmar

Since the 2021 military coup in Myanmar, we have continually engaged with local and international stakeholders to carefully assess all developments in the country and understand how to navigate our supplier relationships under these complex circumstances.

We managed to maintain oversight of human rights conditions in supplier factories by conducting enhanced due diligence routines, including in-person visits and unannounced checks where possible. After closely monitoring the situation, we have concluded that it is now increasingly challenging for us to uphold responsible business practices in Myanmar, even with our enhanced due diligence routines in place.

We will follow the [responsible exit framework](#), a guide for disengaging from business in Myanmar agreed by brands and global union IndustriALL, and we are currently working out the details of our exit plans with each supplier.



## Defining our supply chain

We often use the term “supply chain” when describing all the suppliers that are involved in our business. We actually work with several different supply chains, including:

- **Commercial goods production suppliers** that contribute to making the apparel, footwear, homeware, accessories and beauty products we sell through our brands. These include:
- **Product manufacturing & processing:** These are factories that are either owned



or contracted by our suppliers to make our products. Normally, these are so-called “cut and sew” factories where the final manufacturing takes place. One supplier can own or contract one or more factories, and each of these facilities reports using industry standards such as the Higg Facility Environmental Module (FEM) and Social and Labour Convergence Programme (SLCP). Not all factories possess the required facilities for making certain products — for example creating prints, washings or embroideries. In these cases, suppliers can outsource specific tasks to processing factories. We require all subcontracted processing factories to be approved by our team, and we include them in our SIPP alongside our product manufacturing factories.

- **Component production & processing:** These are the suppliers that process raw materials through spinning, knitting, weaving, dyeing, printing and finishing, and the suppliers who create trims for our garments.
- **Raw material production:** This involves processes like farming, ginning, and fibre processing. Our ambition is to integrate all strategic fabric and yarn mills into our SIPP scope.
- **External brands:** The supply chains of external brands sold through our sales channels.
- **Non-commercial goods (NCG) production supply chain:** Suppliers that produce goods we use in our stores or marketing materials, such as tables, hangers, and mannequins.

— **Services supply chain:** Suppliers of services such as landlords, cleaning, construction, warehouse operations and transportation.

— **Other supply chains & business partners:** Such as administration, business services, procurement and communication, and marketing services.

We have historically focused largely on our production supply chain as this is where the most people are influenced by our business decisions. We are increasingly working more closely with our other supply chains to identify the most significant risks to human rights and address them through partnership and continuous improvement.

Our commercial goods production supply chain has different levels or “tiers” that materials pass through during production. We group suppliers into tiers based on their role in production. Sometimes there is overlap between the tiers, where multiple suppliers can be involved in the same production stage. We work most closely with tier 1 and 2 suppliers:

- Companies we do business with directly and work with product manufacturing or processing are classified as **tier 1**.
- Companies working with component production and processing tend to fall into **tiers 2 to 4**. Read more about our [supplier tiers](#).

Our work creating a reverse supply chain focuses on retrieving garments from our customers and products from our supply chain, and feeding them back into new reuse or recycling streams as valuable resources.

All these facilities are covered by annual minimum requirement assessments, performed either by our internal team or by a certified third party. During the Covid-19 pandemic, factory assessment and verification routines were disrupted due to travel restrictions and lockdowns in most manufacturing countries. Last year, we initiated unannounced on-site visits to all manufacturing and processing factories with whom we work, to conduct minimum requirement assessments. During these assessments we found an increase in non-compliances.

Thanks to strong supplier partnerships, 90% of these findings were remediated and closed within 14 days. Letters of Concern were issued to suppliers with critical non-compliances. This resulted in a higher number of Letters of Concern issued during last year compared to previous years.

Based on these findings, we have further strengthened our internal monitoring routines, along with third party verifications and stronger demands regarding industry standards and tools.

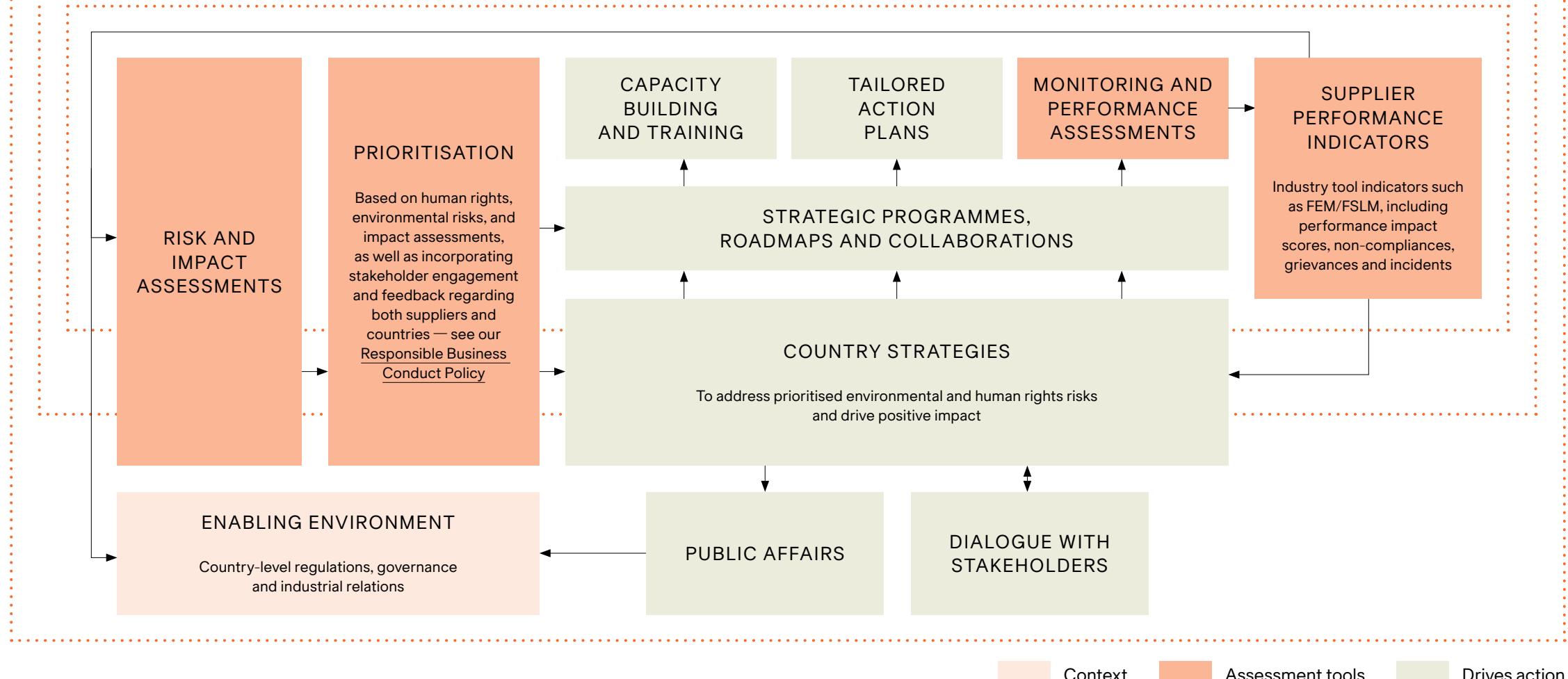


## Supply chain management ecosystem

Country / community level

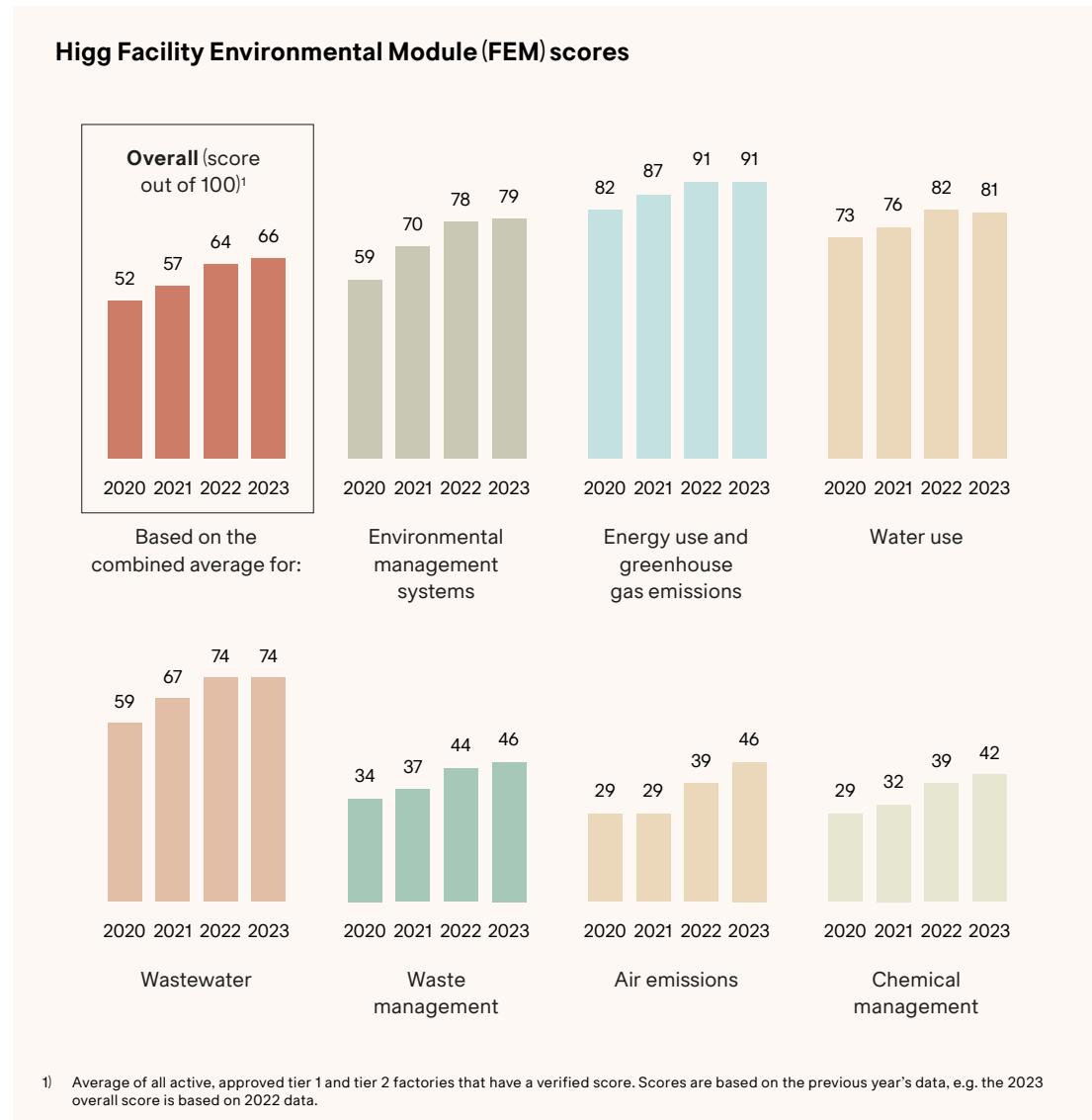
Industry level

Factory level



## 2023 data

Supplier coverage of HIGG Indexes				
	2020	2021	2022	2023
<b>FEM (Higg Facility Environmental Module)</b>				
Tier 1 supplier factories participating in FEM (number and %)	1,184	894	858 (67%)	744 (70%)
Tier 2 supplier factories participating in FEM (number and %)	194	337	509 (53%)	530 (56%)
Tier 1 third-party verifications for FEM (and % of those participating)	430 (36%)	878 (98%)	849 (99%)	728 (98%)
Tier 2 third-party verifications for FEM (and % of those participating)	89 (46%)	329 (98%)	505 (99%)	519 (98%)
<b>FSLM (Higg Facility Social and Labor Module)</b>				
Tier 1 supplier factories participating in FSLM (number and %)	-	883	843 (66%)	876 (68%)
Tier 2 supplier factories participating in FSLM (number and %)	-	332	501 (52%)	442 (61%)
Tier 1 third-party verifications for FSLM (and % of those participating)	-	850 (96%)	843 (100%)	790 (90%)
Tier 2 third-party verifications for FSLM (and % of those participating)	-	311 (94%)	501 (100%)	415 (94%)



### Letters of concern issued to suppliers for non-compliance with minimum requirements<sup>1</sup>

ISSUE	LETTER OF CONCERN TOPICS	2020	2021 <sup>2</sup>	2022	2023 <sup>3</sup>
Health & safety	Legal licences, emergency planning, fire safety	3	2	10	4
Child labour	Child labour	0	0	0	0
Wages & compensation	Compensation, minimum wage, overtime compensation	4	2	8	24 <sup>4</sup>
Freedom of association & collective bargaining agreements	Worker involvement & communication	2	2	0	0
Social security, forced labour, modern slavery	Recruitment & hiring	3	1	7	4
Discrimination & harassment	Worker treatment & development	0	1	0	3
Access to water	Water use, wastewater	4	7	7	14
Environmental	Energy, chemicals	1	4	0	2
Other	Use of undeclared units, transparency <sup>5</sup>	11	19	25	45

- 1) Tier 1 and tier 2 supplier factories. Read more about how we deal with incidents and non-compliances on page 78.  
 2) In 2021, we began extracting minimum requirements non-compliance data from industry tools where the majority of cases were verified on-site by a third party. This resulted in significantly lower minimum requirements for non-compliance cases, reiterating the importance of alternative due diligence approaches, including workplace dialogue and effective grievance channels for workers to raise issues.  
 3) In 2023, there were more minimum requirement non-compliance incidents reported due to increased compliance checks by our team. Read more on page 79.  
 4) 15 of the 24 letters of concerns were findings connected with overtime, compensation and benefits. All non-compliance issues were remediated.  
 5) Transparency includes sharing true information, reporting all sub-contracts, sharing correct documents, and allowing us access to all areas of their facilities.



### Confirmed cases of non-compliance with minimum requirements

	2020	2021	2022	2023
Number of suppliers reporting minimum requirement confirmed cases across tier 1 and 2 suppliers	-	225 Tier 1: 201 Tier 2: 24	111 Tier 1: 88 Tier 2: 23	141 Tier 1: 116 Tier 2: 25
Number of minimum requirement confirmed cases, split by category	149 Social: 123 Environmental: 11 Business practice: 15	111 Social: 72 Environmental: 11 Business practice: 28	128 Social: 72 Environmental: 12 Business practice: 25 Other: 19	241 Social: 141 Environmental: 21 Business practice: 50 Other: 29
Letters of concern issued	27	38	57	96
Terminations of business relationships due to non-compliance with minimum requirements	9	0	4	12

### Other supply chain management data

	2020	2021	2022	2023
ETP functionality assessments achieving green grade <sup>1</sup>	95%	88%	90%	89%
Number of supplier factories covered under worker voice surveys	-	-	230	783 (205,459 workers)
Number of audits of our own and outsourced warehouse operations	-	-	34	55
% of suppliers covered by Higg FSLM regarding H&M Group as a fair business partner	96%	98%	89%	90%
% of supplier payments made on time	-	More than 99%	More than 99%	More than 99%
Number of colleagues completing training on our ACT commitments and responsibilities to improve supply chain working conditions (and % completion) <sup>2</sup>	-	-	498	510 (73% completion rate)

1) Based on the Annual Water Quality Survey 2023 for 351 facilities with on-site ETP and zero liquid discharge. Data reported in Dec 2023.

2) Relevant roles include production and country management, controllers, buying office management, merchandising teams, capacity teams, business governance teams and the sustainability team.

## Purchasing practices

Our buying behaviour has an influence on the conditions at our suppliers' facilities. We continuously monitor and work to improve our performance on purchasing practices in line with our commitment as members of ACT, a global initiative bringing together trade unions and brands to achieve living wages for workers. This is a crucial part of being a responsible buyer.

Aided by our strong local presence in sourcing markets, we build close partnerships and work to improve our performance on issues that matter the most to our suppliers and their workers — including price quotations and negotiations, forecasting and planning, and order placement.

Advanced forecasting and planning enable factories to anticipate and better manage peaks and troughs in demand. For our best performing suppliers, we plan our order capacity as long as three to five years ahead, which gives them better stability to invest in their facilities and workforce.

We itemise the labour cost in all our orders, so that what we pay suppliers for a garment is divided into different cost blocks such as material, labour and product treatments like printing or washing. This detailed costing calculation improves visibility of labour costs, enabling us to separate it in price negotiations and allowing increased wages to be reflected in the prices we pay our suppliers — for example when wages increase through an increase in local minimum wage levels or collective bargaining agreements.

## Progress: supplier relationships

— We strengthened our supplier relationship model to work more closely with our top strategic partners who align with our sustainability and business values. We will continue to drive sustainability initiatives and programmes throughout our full value chain, but we will put higher expectations on our strategic partners, to focus on our biggest opportunities for positive impact.

— We are working with the Social & Labor Convergence Program (SLCP) and other brands to pilot the SLCP tool in small facilities and upstream facilities, by creating a shorter survey for facilities who don't have the expertise and resources to fulfil the exhaustive SLCP questionnaire.

— Our purchasing practices ensure that wages are itemised in the costing block, and that we adopt fair payment terms, implement trainings for our colleagues, and provide transparency on planning and forecasting. In addition, they detail how we exit supplier relationships to minimise harm.

— Whenever we exit supplier relationships, for example during periods of supply chain consolidation, or if the supplier fails to meet our compliance or sustainability requirements, we follow the ACT Responsible Exit Policy to support suppliers and their workers through the transition. We develop an exit plan according to the type of supplier and the nature of our business with them. The whole process can take up to 18 months. Throughout this period, we assess our impact, monitor and communicate verbally and in writing, and continue working with the supplier and its

production unit until the last order has been shipped.

— To gauge our performance against the ACT global purchasing practices commitments, we participate in the ACT global purchasing practices survey. Based on 365 responses from our suppliers, we improved in 9 out of 16 criteria and kept the same scores on the rest, compared to the previous 2021 survey. Once the full report is published, we will use the findings to support ongoing improvement of our purchasing practices.

— We continued purchasing practices trainings for buying and planning functions across our brands, including mandatory training for relevant roles for two of the five modules. The trainings — developed in collaboration within ACT — aim to strengthen knowledge about responsible purchasing practices, H&M Group's role as buyer and our commitments as an ACT member. In 2024, we will continue our roll-out of the remaining training modules.

## Progress: industry tools & standards

— We worked to improve data quality and verification by working closely with SLCP and the Verification Oversight Organization and sharing learning from the on-site visits we conducted last year.

— As part of the SLCP's Converged Assessment Framework (CAF) 1.6 taskforce we are working to improve the tools and verification methodologies we use to measure working conditions in supplier facilities.

— We are working with the Sustainable Apparel Coalition to enable industry-aligned tools. We are

part of the SAC's Facility Environmental Module (FEM) 4.0 pilot to improve the assessment tool we use to measure and evaluate environmental performance.

- Along with 13 other apparel brands, we work through the Industry Summit to discuss key social and environmental issues, share our projects and learn from one another to accelerate positive change across our sector.

## Remediation in action

Over the last two years, in one of our suppliers' factories three textile union leaders proposed by the Bangladesh Garment and Industrial Workers Federation (BGIWF)—an affiliated federation of global union IndustriALL—were accused of misconduct by factory management and disciplined. The repeated incidents triggered suspicion over whether factory management were treating BGIWF in a discriminatory manner and favouring another textile union run by Green Bangla Garments Workers Federation (GBGWF), which operates on the same premises.

Intervention by our National Monitoring Committee (NMC) led to factory management agreeing to reinstate the three proposed textile union leaders, and all parties signed a memorandum of understanding.

## Progress: supplier performance assessment

- The average FEM score across participating supplier factories was 66 out of 100. We plan to use the FSLM industry scoring tool once the impact based scoring methodology is incorporated.
- All FEM and FSLM verifications were performed on-site by accredited third parties.
- We collaborated on the development of the Higg transparency communication framework, which provides guidance on how to communicate about the environmental impact of products ([page 11](#)).
- We issued 96 letters of concern to suppliers as part of our process to resolve human rights and environmental issues (see table on [page 82](#)), resulting in 12 terminations of business relationships with suppliers due to minimum requirement non-compliance issues.
- We investigated 34 cases of potential non-compliance with the Code of Ethics, which resulted in zero written warnings and zero terminations of relationships with business partners.<sup>1</sup>
- In order to improve accuracy and transparency we further developed our supplier performance scoring into impact components connected to areas including climate, water and gender.
- We created a framework to ensure that factories have effective grievance mechanisms that provide

<sup>1</sup>) Cases can involve multiple employees and business partners. Our reporting method therefore focuses on the total number of cases rather than specifying how many individuals or business partners were involved. See [page 88](#) for an assurance statement relating to this data point.

remedy in line with the UN Guiding Principles (UNGP) Reporting Framework. We ran a workers' survey on grievance mechanisms — read more on [page 64](#).

## Learnings & future focus

- We increased our internal monitoring routines after a period of relying primarily on third-party checks during the Covid-19 pandemic. We are working with suppliers to strengthen their sustainability performance to meet current and upcoming legal requirements through strong governance.
- We will continue to evaluate and consolidate suppliers to grow our business with partners who

share our commitments to responsible business conduct and respect for human rights, and those who engage with mitigation plans.

- We will implement FEM 4.0 next year to secure higher environmental compliance and performance measurements.
- Regular evaluation of our business partners' progress and impact remains a priority. This includes minimum requirement assessments at supplier facilities at least once a year, either through FEM/FSLM verifications, third-party audits, or assessments by a member of our team. We support these annual assessments with unannounced on-site audits at supplier facilities to check compliance, based on risks.



# How we report

This Sustainability Disclosure is our annual sustainability performance report. It shares our sustainability strategy, policies and processes, initiatives, goals and performance data for the global group operations of H & M Hennes & Mauritz AB (called H&M Group in this report).

Our 2023 reporting comprises H&M Group brands (H&M — which includes H&M HOME, H&M Move and H&M Beauty — and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories, ARKET, Afound and Singular Society), as well as subsidiaries that are either wholly or partially owned during the financial year from 1 December 2022 to 30 November 2023, unless stated otherwise. Find a full list of entities in our [Annual and Sustainability Report 2023](#).

We are increasingly integrating our financial and sustainability reporting in line with developing sustainability disclosure requirements. This Sustainability Disclosure complements our Annual and Sustainability Report, which covers corporate governance and both financial and sustainability results. Web content and reporting indexes offer additional information, including [how we report](#).

Our website and [Annual and Sustainability Report](#) offer more information on our material issues. This includes our process for identifying, prioritising and reviewing our most material topics. We are further developing this process to align our approach with the [Corporate Sustainability Reporting Directive \(CSRD\)](#).

To ensure we are using the best available data, we continuously improve how we calculate and compare our scope 1, 2 and 3 emissions data. Read more about how we [calculate our emissions](#).

## External frameworks & standards

- **Global Reporting Initiative (GRI):** We report according to the current GRI Standards. Download our [GRI index](#).
- **UN Guiding Principles (UNGPs) Reporting Framework:** We were one of the first companies to report on human rights in line with the UNGP Reporting Framework in 2015. We regularly evaluate [salient human rights issues](#) in our materiality assessment.
- **Task Force on Climate-related Financial Disclosures (TCFD):** Our climate risk analysis

follows the TCFD recommendations. Read more in our [Annual and Sustainability Report](#).

- **UN Global Compact and CEO Water Mandate:** We are signatories to the UN Global Compact. Our annual sustainability reporting serves as our Communication on Progress for the UN Global Compact and CEO Water Mandate, and we disclose via the UN Global Compact digital reporting system. See our latest [Communication on Progress](#).
- **Modern Slavery Act:** We report in accordance with the UK Modern Slavery Act and the Australian Modern Slavery Act 2018 (Cth), as well as the new Canadian Supply Chains Act. See our [Modern Slavery Statement](#).

— **Corporate Sustainability Reporting Directive (CSRD):** We welcome the CSRD, which requires companies report according to the European Sustainability Reporting Standards (ESRS). We are preparing to comply, for example by integrating more sustainability content into our [Annual and Sustainability Report](#) and strengthening our materiality assessment process.

We report in line with relevant legislation, including evolving human rights and due diligence policies developed by the European Union, Germany, Norway and the UK.



## UN Sustainable Development Goals

The [UN Sustainable Development Goals \(SDGs\)](#) are an urgent call to action for peace and prosperity for people and the planet. We are members of the [Business Call to Action](#), which aims to accelerate progress towards

the SDGs. We contribute to some of the SDGs directly through delivering our strategy. Our influence and partnerships contribute to others.

### UN SDGs — influence through our sustainability impact areas

Goal	Our impact areas
 1. No poverty	Social impact
 2. Zero hunger	Indirect influence through our strategy and partnerships
 3. Good health & well-being	Social impact
 4. Quality education	Indirect influence through our strategy
 5. Gender equality	Social impact
 6. Clean water & sanitation	Climate, Water & oceans, Land & biodiversity, Resource use
 7. Affordable & clean energy	Climate
 8. Decent work & economic growth	Social impact
 9. Industry, innovation and infrastructure	Climate, Resource use

Goal	Our impact areas
 10. Reduced inequalities	Social impact
 11. Sustainable cities & communities	Indirect influence through our strategy
 12. Responsible consumption & production	Climate, Water & oceans, Land & biodiversity, Resource use
 13. Climate action	Climate, Water & oceans, Land & biodiversity, Resource use
 14. Life below water	Water & oceans
 15. Life on land	Land & biodiversity, Resource use
 16. Peace, justice and strong institutions	Social impact
 17. Partnerships for the goals	Climate, Water & oceans, Land & biodiversity, Resource use, Social impact

# Some words & phrases used in this report

We use certain words and phrases throughout this report to explain how we address specific sustainability issues. Here, we explain what we mean by these terms.

**Circular and circularity** are terms we use throughout this report in different contexts. We use them as high-level terms to describe activities aligned with our Strategic Partner, the Ellen MacArthur Foundation's definition of circular economy. This is based on three principles, driven by design: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature. More specifically, we support and aspire to the Foundation's vision for a circular economy for fashion, where products are designed to be used more, made to be made again, and made from safe and recycled or renewable inputs. Where we reference our **circular ecosystem**, we are referring to putting all these principles into practice through the way we operate our business and create our products, including:

- **Circular products:** Creating products that are made to last from safe, recycled, regenerative or sustainably sourced materials that can circulate multiple times.
- **Circular supply chains:** Building scalable systems that circulate products and materials for repair, reuse, remake and recycling and that use lower-impact production processes — such as dyeing, printing and finishing.
- **Circular customer journeys:** Providing convenient ways for our customers to engage in circular fashion where products are used more before being repaired, reused, remade and recycled.

**Customer-facing circular business models** is an additional term we use to describe circular customer journeys. Circular business models can be in place throughout the entire ecosystem. When we talk about care, repair and reuse models, we frame them as customer-facing circular business models.

**Fair compensation in our production supply chain** refers to a wage that — in a regular work week, without overtime — is enough to meet the basic needs of employees and their families and provide some discretionary income. As a minimum, the wage should meet legal levels or applicable collective bargaining agreement levels — whichever is higher.

Our vision to **lead the change** means innovating, incubating and investing in scaling new materials, technologies and business models with the potential to decouple our business growth from resource use. It means trying to do things differently, daring to take the first step. It means sharing more data and working to improve the accuracy and comparability of industrywide disclosure. And finally, it means collaborating with others to strive to improve the way the industry works and help shape the legislative environment required for the fashion sector of the future.

**More sustainable** describes changes to our overall operational activity, or that of our suppliers that have a reduced environmental impact compared to conventional alternatives. We base this assessment on various qualitative and quantitative comparative data sources including third-party lifecycle assessment (LCA) data, external benchmarks and assessments, supply chain assessment scores, and data on other KPIs.

**Preferred transport** options refer to modes of transport including 100% biofuel, electric and zero-emissions vehicles.<sup>1</sup>

**Regenerative agriculture** is a concept we refer to in relation to raw material production. It is a holistic approach to agriculture that focuses on the interconnection of farming systems and nature. Regenerative farming practices can improve soil health

and strengthen the resilience of farmers, enhancing livelihoods while also restoring natural habitats.

**Responsible** is one of the three pillars of our long-term materials sourcing vision. In this context it means sourcing materials with the overall aim to respect human rights and reduce environmental impact while contributing to sustainable development in the countries where we source.<sup>2</sup> This is the foundation of all our sourcing decisions. The broader definition of what constitutes a **responsible company** is defined by international frameworks. For H&M Group it means having a risk-based approach to understanding and taking action to address our impacts on people and the planet, supported by robust systems of governance and transparent external communications.

We are aligned with the Organisation for Economic Co-operation and Development (OECD) definition of Responsible Business Conduct, which sets out an expectation that all businesses — regardless of their legal status, size, ownership or sector — avoid and address negative impacts of their operations, while contributing to sustainable development in the countries where they operate.

**Reverse supply chain** is a term for a system that brings used products, materials and production waste back into circulation either as second-hand products, or to be reused or recycled and diverted back into the production system as valuable resources.

**Recycled or sustainably sourced materials.** Our definition of recycled or sustainably sourced materials has evolved over the years — from primarily evaluating environmental factors of certain materials compared to the conventional alternatives, to today taking a more holistic approach that also include social factors.

Through this definition, we are working to align with Textile Exchange's definition of preferred fiber and materials: "A fiber or raw material that delivers consistently reduced impacts and increased benefits for climate, nature, and people against the conventional equivalent, through a holistic approach to transforming production systems." The Textile Exchange's tool, Preferred Fiber and Material Matrix (PFMM), provides further clarity around what constitutes a "preferred" material per material category.

A "recycled or sustainably sourced" material at H&M Group is assessed against factors including voluntary sustainability standards, the Textile Exchange definition of preferred fibre and materials, the Fashion Industry Charter for Climate Action's Raw Materials Working Group's work to identify low-carbon sources within each fibre category, and aligning our sourcing processes with relevant H&M Group policies. Read more about our definition of recycled or sustainably sourced.

Our **value chain** includes the full range of activities and people required to plan, design, source, process and manufacture, transport, sell, use, reuse and recycle our products. Our **own operations** is the part of our value chain that includes activities carried out by H&M Group employees across our offices, stores and distribution centres. Our **supply chain** is the part of the value chain that covers production, logistics, distribution, and other externally sourced products or services that support our business.

- Companies we do business with directly and work with product manufacturing or processing are classified as tier 1.
- Companies working with component production and processing tend to fall into tiers 2 to 4. Read more about our supplier tiers.

1) A zero-emissions vehicle is one that does not emit exhaust gas or other pollutants when operational.

2) Our definition of responsible sourcing is based on the OECD Guidelines for Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights.

# Auditor's report

## **Auditor's Assurance Report on specified sustainability information in H & M Group's Sustainability Disclosure 2023 report**

To H & M Hennes & Mauritz AB, corporate identity number 556042-7220

## Introduction

We have been engaged by the Board of Directors and Executive Management of H&M Hennes &

Mauritz AB (H&M Group) to perform a limited assurance engagement on selected information, presented in the H&M Group's 'Sustainability Disclosure 2023 report', 'Material Issues 2023', 'Materiality Matrix 2023' and 'Stakeholder Engagement 2023' with regards to the below disclosures referred to in the GRI index that can be found in the 'GRI content index 2023'. Reporting principles can be found in 'How we Report 2023'.

— Approach to stakeholder engagement (Disclosure 2-29), reported in 'Stakeholder Engagement 2023', 'Material Issues 2023' and on page 76-77 in the 'Sustainability Disclosure 2023 report'.

— Process to determine material topics and list of material topics (Disclosures 3-1, 3-2), reported in 'Material Issues 2023', 'Materiality Matrix 2023', 'How we report 2023' and on pages 8-9 and 85-86 in the 'Sustainability Disclosure 2023 report'.

### — Energy:

Energy consumption within the organization and percentage of renewable energy (Disclosure 302-1), page 19 in the 'Sustainability Disclosure 2023 report'. Energy intensity (Disclosure 302-3), page 19 in the 'Sustainability Disclosure 2023 report'.

### — Emissions:

Direct (Scope 1) GHG emissions (Disclosure 305-1), [page 19](#) in the 'Sustainability Disclosure 2023 report'. Energy indirect (Scope 2) GHG emissions (Disclosure 305-2), [page 19](#) in the 'Sustainability Disclosure 2023 report'. Other indirect (Scope 3) GHG emissions, limited to transportation, materials, fabric production and garment manufacturing (part of Disclosure 305-3), [page 20](#) in the 'Sustainability Disclosure 2023 report'.

### — Materials:

Materials used by weight or volume, limited to cotton and synthetic materials including top 3 recycled materials, wool and man-made cellulosic fibre (part of Disclosure 301-1), [page 39](#) in the 'Sustainability Disclosure 2023 report'. Share of recycled materials, limited to cotton, polyester and polyamide (part of Disclosure 301-2), [page 38](#) in the 'Sustainability Disclosure 2023 report'.

### — Anti-corruption:

Confirmed incidents of non-compliance with the Code of Ethics and actions taken (part of Disclosure 205-3), reported on pages [58](#) and [84](#) in the 'Sustainability Disclosure 2023 report'.

### — Social impact:

Share of tier 1 supplier factories with a Health and Safety Committee in place (part of 3-3 and defined criteria in 'How we report 2023'), reported on [page 62](#) in the 'Sustainability Disclosure 2023 report'. Share of tier 1 and 2 production supply chain factories that have grievance mechanisms in place (part of 3-3 and defined criteria in 'How we report 2023'), reported on [page 62](#) in the 'Sustainability Disclosure 2023 report'.

## Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on [page 85](#) in the Sustainability Disclosure 2023 report, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the auditor

Our responsibility is to express a conclusion on the above specified disclosures in the specified documents based on the limited assurance procedures we have performed. The selection of disclosures to be reviewed has been made by the management of H&M Group. Our engagement is limited to the above specified information, which does not include web-links, and is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the

Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of H&M Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the above specified disclosures presented in the 'Sustainability Disclosure 2023 report'.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the information regarding the above specified disclosures in H&M Group's 'Sustainability Disclosure 2023 report', is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm 21 March 2024

Deloitte AB

**Didrik Roos**

Authorized Public Accountant

**Lennart Nordqvist**

Expert Member of FAR



Sustainability Disclosure 2023

If you have questions, need help locating information,  
or want to find the latest on our sustainability work  
including strategy, goals, standards and policies,  
please contact [kelly.langpap@hm.com](mailto:kelly.langpap@hm.com).

We appreciate your feedback.

Thank you.