OVERVIEW
Letter from CEO

A little more than 70 years ago, my grandfather opened a shop selling women’s apparel in the small Swedish town of Västerås. He believed that everyone should have the opportunity to express their personality through fashion and he saw it as his mission to democratise fashion and make it available to all rather than the privileged few. The concept of “Fashion for everyone, at a great price” has remained with our company ever since.

In the same way that we took the lead 70 years ago by making fashion accessible to all, we now want to take the lead in ensuring a more sustainable fashion industry by tackling some of the most significant challenges that are facing our planet and society.

We are part of an industry which undoubtedly faces significant challenges when it comes to environmental and social sustainability – but I want H&M group to continue to be a positive force towards resolving these shared challenges. We know that we are a large company and we therefore know that we have an equally large responsibility to ensure that we have a positive impact on our planet.

As such I am proud to say that our sustainability work is embedded in our culture and our values. A long-term approach is a natural and important part of our overall business strategy. We also believe that taking a long-term view is crucial when it comes to dealing with complex sustainability issues. According to the UN, climate change and poverty are two of the most significant challenges of our time and will affect many generations to come. While I have a great deal of respect for the vast complexity of both of these challenges, I also strongly believe that we can make a positive contribution towards facing them. We will continue to take a long-term approach to achieve sustainable production, while at the same time creating good jobs and driving prosperity in the markets in which we operate.
In order for our company to take on these challenges in an effective way I believe that sustainability must be considered as an integral part of our business rather than being treated as an after-thought. For this reason, we work to ensure that sustainability is integrated into all aspects of our business – it should pervade everything that we do, all the decisions we make and the everyday work of all our employees.

Taking this approach makes it possible for all of us to work towards the same goal. For this reason, all functions within H&M group are assessed on the basis of sustainability objectives, which are just as important as any other benchmark.

However, it is not possible to achieve great change in isolation. We have over 70 years of experience, but we are entirely dependent on our partnerships with experts from other fields to really drive our sustainability work forward. We therefore fully support the development of the new technology and innovation that is required to create a circular fashion industry.

Encouragement of and collaboration with other forces for positive change is especially important when it comes to the complex challenges faced by the fashion industry, and indeed all other industries. Just a few examples of our collaborations include: our work with WWF on the responsible use of water in our value chain, our investment in innovations companies that are developing technologies for textile recycling, and our close partnership with the Ellen MacArthur Foundation that is helping drive the development of a circular economy as well as our work with the UN and textile workers’ global trade union who are advising us about the best way to tackle the huge issue of wages in the textile industry.

The values of H&M group also include a constant willingness to innovate and look at things in new ways. Today, we are using AI to make it easier for us to ensure a good match between production and demand, thus saving energy, transport and resources. We are switching to renewable electricity and streamlining our use of energy. With the help of innovation, we are not only able to find new sustainable materials and recover textile fibres in a better way than before, but we can also make this scalable in the long term. I am impressed every year by the winners of the Global Change Award challenge for innovation, which was founded by H&M Foundation – it presents solid proof that a circular fashion industry is possible.

The reality is that as our population grows, so does also consumption, which already today goes beyond what the planet can afford. The key to our future is therefore to ensure that we move away from an old, linear and environmentally hazardous system to a circular one that ensures long-term environmental and social sustainability. Big leaps towards new and greener solutions, are usually taken by companies and countries that are developing and can therefore invest in technological innovations. As such consumption that contributes to both reducing global poverty and enabling investment in modern, sustainable production is not the problem, but instead part of the solution.

This report is our opportunity to share an honest and transparent account of the positive steps that we have taken so far as well as the complex challenges we continue to face. It helps us understand both the areas in which we have made progress, and those that we need to re-think and further develop. While I am proud of our achievements, I am aware that there is still a lot more for us to do. However, I remain convinced that our long-term approach coupled with our genuine determination, will help us lead the way to creating a more sustainable fashion industry.

Karl-Johan Persson, H&M Group
Executive summary

From the beginning, H&M group’s role has been to democratise fashion. Today, that means making it sustainable: it’s the only way we’ll keep making great fashion and design available today, tomorrow and for generations to come.

Our sustainability vision is to use our size and scale for good, and with the help of technology and innovation, lead the change towards circular and renewable fashion while being a fair and equal company. To achieve this, we have developed an ambitious strategy with the help of a broad range of external and internal experts. Our strategy follows a science-based approach, wherever possible.
Key achievements 2018

H&M Group has developed 2030 GHG emissions reduction goals that have been approved by the Science Based Targets initiative.

Because investing in innovation unlocks circularity, we support companies such as Moral Fiber and Colorifix.

57% of all materials we use to make our products are recycled or other sustainably sourced materials.

During 2019, H&M and H&M Home are rolling out a new transparency tool in their online stores, enabling customers to trace most of their products to the factory they have been made in, and find further information to make more conscious choices.

655 factories and 930,000 garment workers are covered by one or both of our key programmes for workplace dialogue and Wage Management Systems. This represents 84% of our product volume.

H&M Group was ranked amongst Top 5 in Fashion Revolution’s 2018 Index with a score of 55% (Highest score 58%).

Because investing in innovation unlocks circularity, we support companies such as Moral Fiber and Colorifix.
Key achievements 2018

95% of cotton used by H&M Group is recycled or other sustainably sourced.

We set a new circular packaging strategy and roadmap for the entire value chain.

**AFound**

We launched Afound, a brand with the mission of giving unsold products a new life.

We’ve reduced CO₂ emissions from our own operations by a further 11%. This takes us another step closer to achieving a climate positive value chain by 2040.

We have developed a new Water Roadmap for our supply chain which contains our key goals and actions up until 2022.

H&M Group has been included in the Dow Jones Sustainability Index for several years now, this year reaching the highest possible score in the categories of Quality & Recall Management, Social Reporting, Environmental Reporting and the best industry score in Supply Chain Management.

WE COLLECTED 20,649 TONNES OF TEXTILES FOR REUSE AND RECYCLING THROUGH OUR GARMENT COLLECTING INITIATIVE. THAT’S 16% MORE THAN LAST YEAR AND REPRESENTS THE EQUIVALENT OF 103 MILLION T-SHIRTS.
Awards & recognitions

Here are some of the awards and recognitions that H&M Group has received during 2018:

**DOW JONES SUSTAINABILITY WORLD INDEX**
H&M Group has been included in the Dow Jones Sustainability Index for several years now, this year reaching the highest possible score in the categories of Quality & Recall Management, Social Reporting, Environmental Reporting and the best industry score in Supply chain Management.

**FASHION REVOLUTION’S FASHION TRANSPARENCY INDEX**
H&M group was ranked amongst the top 5 in Fashion Revolution's Fashion Transparency Index with a score of 55% (highest score 58%).

**FTSE4GOOD**
H&M group has been independently assessed according to the FTSE4Good criteria and has satisfied requirements to become a constituent of the FTSE4Good Index Series. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria and are positioned to capitalize on the benefits of responsible business practice.

**ETHISPHERE® INSTITUTE**
For the eighth time, H&M group has been recognized by the Ethisphere® Institute as one of the World’s Most Ethical Companies.

**NEWSWEEK GREEN RANKING**
H&M group was ranked number 11 in the Newsweek Green Ranking among the 500 most sustainable companies in the world for 2017 (2016: 63, 2015: 88, 2014: 95). The ranking is annually produced by the magazine Newsweek in collaboration with leading environmental research organisations.

**TEXTILE EXCHANGE PREFERRED FIBER & MATERIALS REPORT 2018**
According to the Textile Exchange’s Preferred Fiber & Materials Market Report 2018, H&M group was the biggest user of preferred Man-made cellulosic fibres and the biggest user of Lyocell, as well as preferred cotton, and the second biggest user of recycled and organic cotton.

**DRAPERS SUSTAINABILITY AWARD UK**
For third year in a row, H&M group has been recognised by the British retail publication Drapers for their contribution to the retail industry. In the Annual Awards Ceremony, H&M group won the Sustainability Award of The Year.
About H&M Group

Since day one, our business has been about bringing fashion and design to all people. Today, this is reflected in all our brands. We are always working to create the best offering for our customers, in the most sustainable way.

H&M group includes nine brands, each with their own specific brand DNA – H&M, COS, Weekday, Cheap Monday*, Monki, H&M Home, & Other Stories, ARKET and Afound. Together, our brands offer customers a wealth of styles and trends in fashion, beauty, accessories and home-ware – as well as healthy, modern food in selected stores.

We reach customers around the world through our integrated physical stores and digital channels. Our customer proximity is amplified by our 177,000 colleagues globally, operating in both sales and production markets.

*As previously communicated, Cheap Monday will be ending operations in 2019. The H&M group’s transition work in response to the extensive changes within the fashion industry means that the company is prioritising and focusing on its core business. Cheap Monday’s business model is based on traditional wholesale, which is a model that has faced major challenges due to the shift in the industry. The H&M group has therefore decided to close Cheap Monday.
Our vision is to lead the change towards a circular and renewable fashion industry, while being a fair and equal company. To do this, it is our responsibility to ensure our value chain works to its full potential. Our value chain describes the full sequence of processes involved in the production and lifespan of all our products, from product idea to customer use and disposal.

But our value chain does not operate in isolation. With nine brands selling products in over 4,968 stores and online markets in 47 countries, it is connected to countless people, communities, ecosystems and other businesses around the world.

**IMPACTS ALONG OUR VALUE CHAIN**
Our vast network of value chain connections means that our social, environmental and economic impacts are significant and far-reaching. To maintain our business idea, we need to maximise our positive impacts and minimise our negative impacts throughout our value chain and along every customer’s journey with us.

To make this happen, we use our size and scale to drive change and innovation in all parts of the value chain, from raw materials to customer experience.

Please see the illustrations to the right for a more in-depth look at the impacts we have along our value chain. Please also visit sustainability.hm.com for further information.

*Climate impacts are based on a scope 3 assessment made by Ecofys in 2017, based on 2016 data. Deviation from 100% is due to omission of other emission sources not fitting the format of this illustration, the major one being the scope 3 category purchased products (other expenditures). The water footprint is based on the Water Footprint Network’s methodology and includes green, blue and grey water footprints. Deviation from 100% is due to rounding effects.

*For more information about our social impacts, see page 93. A number of these issues related also to H&M group’s salient human rights issues, i.e. those human rights at risk of the most severe impact across our operations and supply chain.