



HOW WE REPORT

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How we report

We are committed to transparent reporting on the progress we make towards achieving our sustainability strategy.

H&M group produces an annual sustainability report that covers sustainability strategies, challenges, activities, goals and performance for the global group operations of H & M Hennes & Mauritz AB (also called H&M group in this report). The report includes all H&M group brands (H&M, COS, Weekday, Cheap Monday, Monki, H&M Home, & Other Stories, ARKET, Afound), as well as its wholly- or partially-owned subsidiaries globally during our financial year from 1 December 2017 to 30 November 2018 unless stated otherwise. Please see our Annual Report 2018 for a full list of entities.

Wherever possible, we report how we are addressing our key positive and negative impacts across our value chain. This often involves reporting beyond or even outside our own operations, for example when we report on the suppliers manufacturing our products. We always clearly state when information is limited in scope, such as for specific brands, parts of our operations or our value chain.

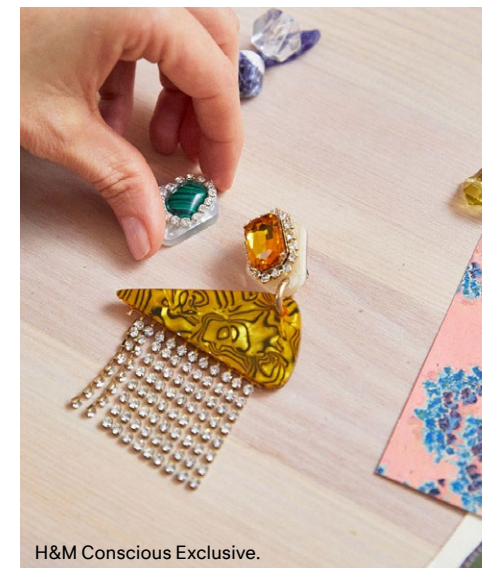
Unless otherwise stated, we do not cover franchise operations. The report has been reviewed by the highest executive management and external assurance has been performed for selected indicators (clearly marked where applicable, as well as in regards to materiality and stakeholder engagement). We have included stakeholder comments and interviews throughout this report.

Our sustainability teams collect data from the relevant functions within H&M group and from external parties such as suppliers or implementation partners. This data is always reviewed by our internal controlling team, relevant experts in our sustainability team and expert functions following a two-tier quality control principle. We clearly indicate any extrapolations or estimations. The same rule applies for any changes in data methodologies or scopes that may influence data comparability. We always base our data on the best possible systems that are currently available to us and, where applicable, align it with recognised standards. However, it is important to understand that there are continued improvements in data systems, methodologies and scientific uncertainties. For example, while our GHG emissions accounting and reporting is aligned with the GHG Proto-

col, the emission factors we use are from publicly-available sources such as the International Energy Agency (IEA 2017), the Network for Transport Measures (NTM), Reliable Disclosure System for Europe (RE-DISS) and supplier-specified emission factors. The global warming potential (GWP) factors used in the calculation of CO₂e are based on the IPCCs Fourth Assessment Report (AR4) over a 100-year period.

The scientific knowledge used to determine emission factors is incomplete. This means GHG emission data, as with other data, is subject to inherent uncertainties that ultimately affect all measurements and estimations. Our reported energy usage is based on invoiced data, data from real-time electricity meters and data as reported by transport providers. We convert between fuel usage and energy content using energy values specified by the supplier or by using tabled values provided by national bodies.

We are required to make certain assumptions about waste factors, weight per sizes, etc. for our material reporting. We are continuously working to improve those aspects of reporting that may lead to minor updates in our yearly material consumption reporting, as well as our



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data systems and accuracy to report on material consumption.

Unless otherwise specified, all data concerning business partners and supplier factories includes all suppliers and factories that were active and approved for production during the reporting period. We include the following factories in our scope: tier 1 manufacturing or processing (i.e. washing or dyeing), factories that are owned or subcontracted by our suppliers and, where stated, selected tier 2 suppliers and suppliers for non-commercial

goods (such as store interior suppliers). The tier 2 suppliers we have selected so far are mostly fabric and yarn suppliers that account for about 60% of our products. We report monetary amounts mainly in the currency of transaction. Additional currency values are conversions as approximate figures based on the conversion rate on 30 November 2018, unless stated otherwise. We provide additional information at sustainability.hm.com and in our financial and corporate governance reporting. Our most recent sustainability report was published in April 2018. We are signatories to the UN Global Compact and our annual sustainability report also serves as our Communication on Progress (COP) for the UN Global Compact as well as the CEO Water Mandate.

GLOBAL REPORTING INITIATIVE (GRI)

We have prepared this report in accordance with the GRI Standards: Core Option. We have also included material indicators from the pilot of the Apparel and Footwear Sector Supplement. You can download a detailed GRI index at sustainability.hm.com.

UN GUIDING PRINCIPLES REPORTING FRAMEWORK

We were one of the first companies in the world to report on human rights in line with the UN Guiding Principles Reporting Framework. This framework is the first comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights set out in the UN Guiding Principles on Business and Human Rights. Detailed references to the UN

Guiding Principles Reporting Framework can be found at sustainability.hm.com. We identified our salient human rights (page 93) in 2015, following a comprehensive process that involved a variety of internal and external stakeholders. We plan to conduct this process every third year, or as deemed necessary. On an annual basis, we will review the relevance and definitions of the issues identified and discuss emerging issues. This complements our materiality assessment (described below), which identifies human rights as a highly material topic.

PROCESS FOR IDENTIFYING THE MOST MATERIAL TOPICS AND THEIR BOUNDARIES*

1. Identification: Mapping aspects and creating a gross list

We conduct an annual review of our gross list of aspects. This is based on an analysis of external standards, such as the GRI Standard topic list, legislation, investor and NGO questionnaires, peer reviews, business intelligence, lifecycle assessment results, stakeholder dialogues and stakeholder reports, and media coverage. The gross list has been checked against GRI's Sustainability Context and Stakeholder Inclusiveness tests most recently in 2016.

2. Prioritisation: Scoring and prioritising topics**

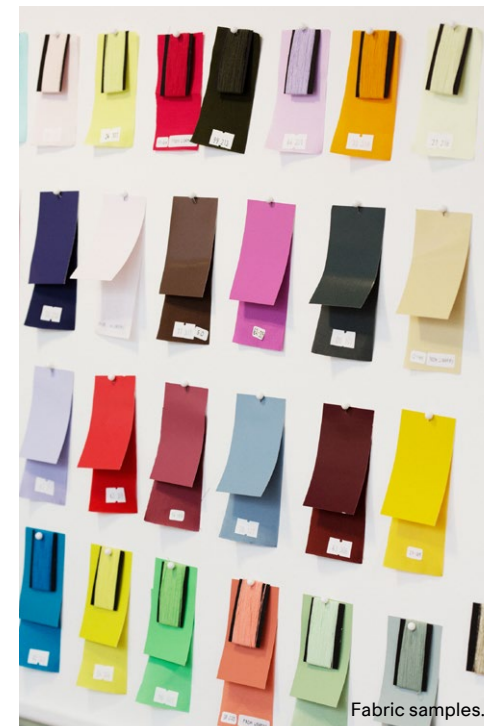
We prioritise the most material topics from this gross list by scoring different aspects on their frequency (how often they are raised by stakeholders) and their significance for economic, environmental and social impacts. We then break these categories down further. For frequency,



H&M Beauty.

we look at frequency raised by key defined sustainability stakeholders and experts (weighted x3), frequency featured in media (weighted x1) and frequency raised in key sustainability benchmarks, rankings and indices (weighted x1). For impact, we look at social and environmental impacts (weighted x1) and importance to business strategy (weighted x2). At least two internal experts per category gave scores, which were based on lifecycle assessment (LCA) data and existing strategy documents.

We also chose at least one representative from each of our key stakeholder groups (which includes customers, colleagues, communities, suppliers and their employ-



Fabric samples.

ees, industry peers, NGOs, IGOs, policy-makers and investors). We asked eleven stakeholder representatives to feedback on our materiality matrix.

3. Regular review of our materiality matrix with key stakeholders***

We review our materiality matrix on an annual basis. This can mean conducting a full materiality analysis (as conducted in 2013 and 2016) as described in points 1 and 2 or a review of previous year's matrix considering feedback received.

* Please find an independently-verified assurance statement on defining report content and topic Boundaries GRI 102-46 on page 106.

** Please find an independently-verified assurance statement on list of material topics GRI 102-47 on page 106.

*** Please find an independently-verified assurance statement on defining report content and topic Boundaries GRI 102-46 on page 106.

REVIEW OF MATERIALITY MATRIX IN 2018

In spring 2017, we launched our updated sustainability strategy, developed in close cooperation with several external and internal key stakeholders, partners and experts. In connection to this, we arranged a large-scale stakeholder meeting inviting over 300 representatives from our stakeholder communities to a full day of workshops and discussions, including feedback on our report and the focus areas chosen in our strategy.



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In 2017 we conducted our first stakeholder survey developed with Business for Social Responsibility (BSR). The survey assesses both the quality of our stakeholder engagement work, as well as feedback on our strategy and performance towards it. For this year's survey, the feedback we received widely confirmed our materiality matrix, with some adjustments made, such as an increased focus on inclusion and diversity.

PROCESS FOR DEFINING OUR SALIENT HUMAN RIGHTS ISSUES

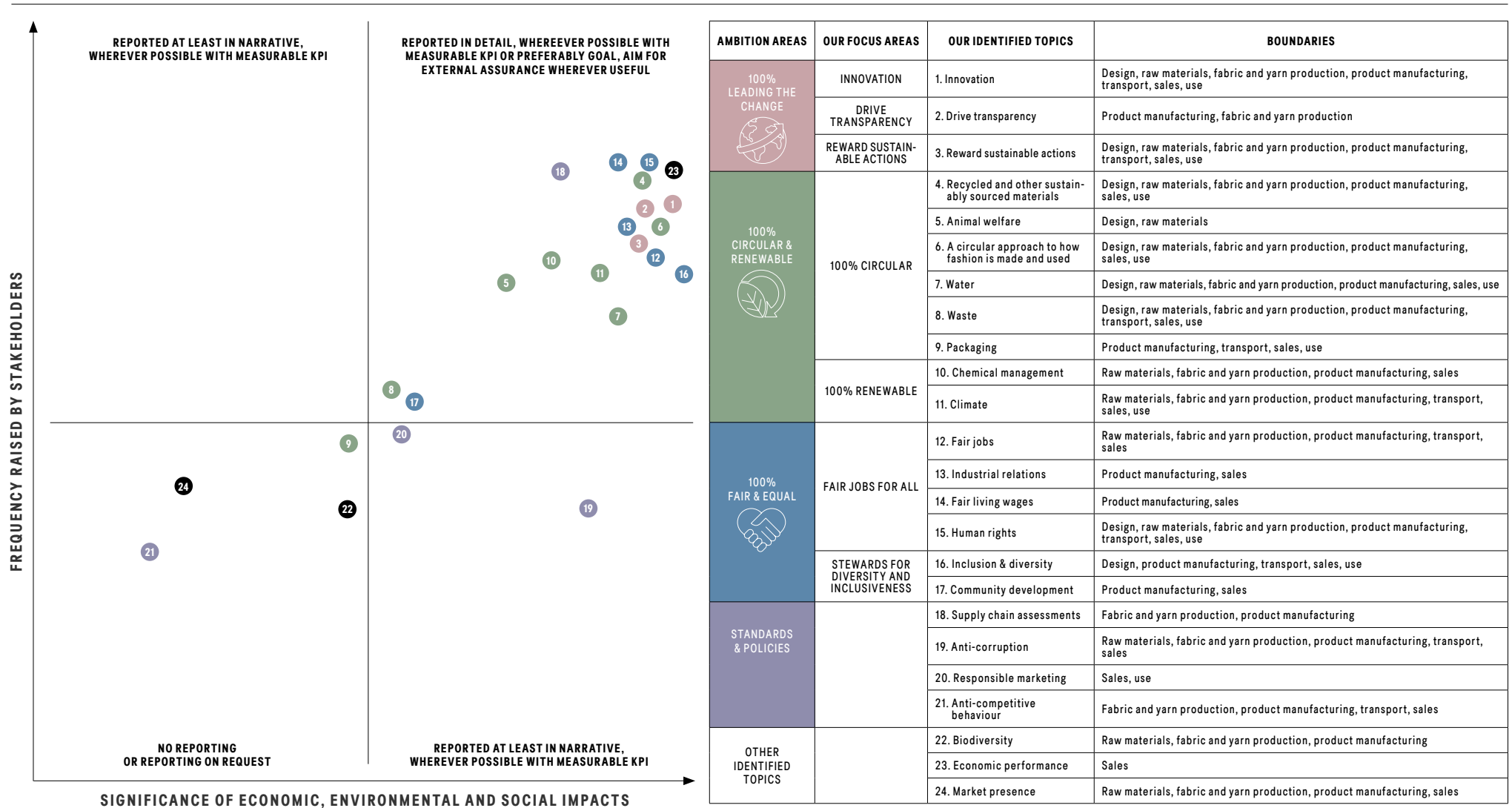
We started the process by defining who we impact through our business activities along our value chain. We paid special attention to those who are potentially more vulnerable and hence are more at risk, such as migrant workers, women and children. This mapping process resulted in a list of both potential and actual human rights impacts. From this list, we identified salient impacts by applying two criteria: the severity of the potential impact and the likelihood of occurrence.

We then held internal and external consultations about the method and input to the identified salient human rights issues with almost 100 people. Internally, we conducted workshops and opened dialogues across all levels and functions of our company. Externally, we held consultations with experts, organisations, academia and local stakeholders. We review our salient human rights issues annually and adjust them accordingly. For an update on our salient human rights issues, read more [here](#).



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Materiality matrix



UN's Sustainable Development Goals

The UN's Sustainability Development Goals (SDGs) and the 2030 Agenda for Sustainable Development call on governments, business and civil society to take action to address social and economic challenges. We believe this collaborative approach is essential and, as you can see below, our sustainability strategy aligns well with the SDGs.



CONTRIBUTION THROUGH PARTNERSHIPS

- SDG2 Zero hunger
- SDG4 Quality education
- SDG5 Gender equality
- SDG6 Clean water and sanitation
- SDG7 Affordable and clean energy
- SDG8 Decent work and economic growth
- SDG9 Industry, innovation and infrastructure
- SDG10 Reduced inequalities
- SDG12 Responsible consumption and production
- SDG13 Climate action
- SDG16 Peace, justice and strong institutions
- SDG17 Partnership for the goals

INDIRECT INFLUENCE AND IMPACT

- SDG1 No poverty
- SDG3 Good health and well-being
- SDG11 Sustainable cities and communities
- SDG14 Life below water
- SDG15 Life on land

Our business activities directly contribute to the following SDGs



Key collaborations

- Accord on Fire and Building Safety in Bangladesh (The Accord)
- ACT (Action, Collaboration, Transformation)
- Afirm Group
- Amsterdam Coalition (AMCO)
- Better Cotton Initiative (BCI)
- Better Than Cash Alliance (BTCA)
- Better Work
- Canopy
- CCWG (Clean Cargo Working Group)
- Chemsec Business Group
- Clean Shipping Index (CSI)
- Cradle to Cradle Products Innovation Institute
- Ellen MacArthur Foundation
- Ethical Trading Initiative (ETI)
- Fair Wage Network (FWN)
- Global Deal
- Global Fashion Agenda
- Global Logistics Emissions Council (GLEC)
- Green Freight Asia (GFA)
- Humane Society International (HSI)
- I:CO
- IFC
- ILO
- IndustriALL /IF Metall
- Make Fashion Circular
- Mekong Club
- Mistra Future Fashion
- Network for Civil Rights Defenders
- Network for Transport Measures (NTM)
- New Plastic Economy Global Commitment
- Organic Cotton Accelerator (OCA)
- Responsible Mica Initiative (RMI)
- Shift
- Sida
- Social & Labour Convergence Project (SLCP)
- Solidaridad
- Stockholm Resilience Centre (SRC)
- Sustainable Air Freight Initiative
- Sustainable Apparel Coalition (SAC)
- Sweden Textile Water Initiative (STWI)
- Textile Exchange
- The Climate Group (RE100; EP100)
- The Global Deal
- The Pathway Coalition
- Transparency International Sweden
- UNDP
- UNFCCC
- UN Global Compact (UNGC)
- UNI Global Union
- WRG
- WWF
- Zero Discharge of Hazardous Chemicals (ZDHC)

For more information about the above listed collaborations and memberships please visit sustainability.hm.com.



Auditor's report

AUDITOR'S LIMITED ASSURANCE REPORT ON SPECIFIED INFORMATION IN H&M HENNES & MAURITZ AB'S GROUP SUSTAINABILITY REPORT

TO H & M HENNES & MAURITZ AB, CORP ID 556042-7220

We have been engaged by the management of H & M Hennes & Mauritz AB (H & M) to perform a limited assurance engagement on the information in H & M's Group's Sustainability Report 2018 with regards to the following indicators referred to in the GRI index that can be found in the 'GRI content index 2018':

- Identified material topics and boundaries (Disclosures 102-46, 102-47), p. 101-103
- Stakeholder engagement (Disclosure 102-40, 102-42, 102-43, 102-44), p. 17, 101-103
- Energy: Energy consumption within the organization (Disclosure 302-1), p. 55
Energy intensity (Disclosure 302-3), p. 55
Percentage of renewable energy (AF21), p. 57
- Emissions: Direct (Scope 1) GHG emissions (Disclosure 305-1), p. 54
Energy indirect (Scope 2) GHG emissions (Disclosure 305-2), p. 54
Other indirect (Scope 3) GHG emissions, limited to transportation (Disclosure 305-3), p. 56
- Materials: Materials used by weight or

volume, limited to cotton (Disclosure 301-1), p. 39
Tons of garments collected for reuse and recycling, p. 50

- Anti-corruption: Confirmed incidents of corruption and actions taken (Disclosure 205-3), p. 97

The H & M Group Sustainability Report 2018 covers the period 1 December 2017 – 30 November 2018.

MANAGEMENT'S RESPONSIBILITY

The Management of H & M is responsible for preparing and presenting the H & M Group Sustainability Report 2018 in accordance with the reporting criteria as set out in the company's own reporting guidelines as well as the Global Reporting Initiative's (GRI) Standards. As discussed in the section "How we report", page 100 in the H & M Group Sustainability Report 2018, greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the above specified indica-

tors in the H & M Group Sustainability Report based on the limited assurance procedures we have performed. The selection of indicators to be reviewed has been made by the management of H & M Hennes & Mauritz AB. We do not accept, nor assume responsibility to anyone else, except to H & M for our work, for the limited assurance report, or for the conclusion that we have reached.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. The ISAE 3000 standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on whether any matters have come to our attention that would cause us to believe that the above specified information in the H & M Group Sustainability Report 2018 has not been prepared, in all material respects, in accordance with the reporting criteria. A limited assurance engagement is provided only on the information disclosed in the H & M Group Sustainability Report, not on information linked to and disclosed on other web pages. The pre-

sented information in the H & M Group Sustainability Report is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by H & M. This independent limited assurance report should not be used on its own as a basis for interpreting H & M's performance in relation to its principles of corporate responsibility.

Our review procedures are designed to obtain limited assurance on whether the above specified indicators are presented in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative, in all material respects. A limited assurance engagement consists of making inquiries, primary of persons responsible for the preparation of the H & M Group Sustainability Report and applying analytical and other evidence gathering procedures, as appropriate. 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 generally accepted auditing standards in Sweden. 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, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of H & M in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our procedures are based on the criteria defined by the Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

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

CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the information regarding the above specified indicators in the H & M Group Sustainability Report has not, in all material respects, been prepared in accordance with the reporting criteria stated above.



Stockholm, March 29, 2019
Ernst & Young AB

Åsa Lundvall
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant

Get in touch

If you have any questions about the report, need help locating specific information or want to find out the latest on our sustainability work including our strategy, goals, standards and policies, please contact:

Laura.Cars@hm.com or
Nathalie.StjernfeldtGrumme@hm.com

We appreciate your feedback.



A woman with long blonde hair is sitting in a field of tall grass, looking off to the side. She is wearing a teal sweater, a patterned scarf, and patterned pants. The background shows rolling hills under a cloudy sky.

THANK YOU