

H&M Group's European Green Consumption Pledge April 2021

In the face of huge global challenges and the ongoing transformation of our business, H&M Group's sustainability vision remains more relevant than ever: to lead the change towards circular and climate positive fashion while being a fair and equal company. Our ambition is to become climate positive by 2040 with a net positive impact on biodiversity, while aiming for a full circular business.

We're committed to being part of the solution to the climate crisis. Our goal is to bring our performance in line with a 1.5°C trajectory across all emission scopes by:

- Increasing our annual sourcing of renewable electricity in our own operation (scope 2) from 95% in 2017 to 100% by 2030, approved by the Science Based Targets initiative (SBTi),
- Reducing absolute emissions in our supply chain with 20% at least by 2030, as committed through the Science Based Targets initiative (SBTi),
- Reducing scope 1 and 2 GHG emissions by 40% before 2030 (baseline 2017),
- Scope 3 GHG emissions from purchased raw materials, fabric and garment production by 59% per product before 2030 (baseline 2017),
- Setting up two power purchase agreement (PPA) projects for our own operations in 2021,
- Reviewing our climate goals towards more ambitious commitments, while also including scope 3 emissions, for 2022. We will update the above commitments accordingly in 2022.

We're now seeing a rapid shift in awareness and interest in sustainability: companies and customers alike are seeing their impacts on the world more clearly and learning how to behave more sustainably. For this, we're committed to providing comparable, trustworthy information about our business and product sustainability and are determined to continue improving in this area.

H&M Group supports the European Commission's holistic and coordinated approach to accelerate sustainable systematic change through the EU Green Deal. To put sustainability at the core of our industry is a big opportunity to accelerate the pace of change and drive for a Green Recovery.

For these reasons, we are contributing to the EU Green Consumption pledge through the following commitments:

Product carbon footprint

At H&M brand level:

- In 2021, we will apply internally the upcoming Higg Index Transparency Standard and Material Sustainability Index (MSI), through a step-by-step approach. We will also continue working with Higg Index suite of tools relevant to calculate product carbon footprint up until the release of the EU Apparel and Footwear PEF method.
- In 2021 and 2022, we commit to contribute to the development of the EU Apparel & Footwear PEF methodology, as a member of the relevant Technical Secretariat.
- After the completion of the EU Apparel and Footwear PEF method, currently expected in December 2022¹, we will apply carbon footprint calculation to 100% of H&M brand's apparel products as soon as possible within 3 years, through the Higg Index suite of tools, which will conform with the EU Apparel and Footwear PEFCRs as explained in the annex.

Increase of more sustainable products or services sale

1. Circular products require carefully considered material choice. An increase in the number of products designed according to our Circular Product Development Guideline will be seen in line with H&M Group's material commitments:
 - By 2025, 30% of our total materials will be from recycled sources,

¹ Until the full integration of the EU Apparel and Footwear PEF method in our internal processes, H&M Group will take a step-by-step approach to measure product emissions through Higg Index Product Module and Material Sustainability Index, combined with our internal carbon pricing calculation. The methodology and results will be audited in the context of the sustainability-linked bon issued by H&M Group in January 2021.

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- By 2030, we aim for 100% of our materials to be either recycled or sourced in a more sustainable way², including our new goal of 30% recycled materials by 2025 — to further accelerate use of recycled fibres.
- 2. In Spring 2021, H&M Group will launch our Circular Product Development Guideline, internal product policy, in line with the European Commission's ambition on sustainable products. H&M brand will roll out the guidance across its product assortments. The other H&M Group brands will test the guideline and determine how to integrate it into their creative processes.
- 3. H&M Group commits to maximize product life through a strong focus on increasing and scaling up new business model offers granting access to repair, reuse, resell and recycle options, as well as extending the second-hand platform Sellpy to new markets by 2030.

Promotion of more sustainable practices

1. H&M brand is reaching out to 55,8 million customers in the European Union (and 121 million worldwide) with Conscious Points, launched in March 2021. Conscious Points is a new element of the existing H&M membership scheme where customers earn rewards for more sustainable consumer actions:

- using garment recycling services,
- bringing their own shopping bags to stores,
- choosing climate smart deliveries,
- visualising their more sustainable material purchase behaviour in the member app.

Further sustainable practices will frequently be introduced during 2021 and 2022 whereof completing more sustainable behaviour education will be one.

H&M brand's long-term commitment to award more sustainable choices and behaviours, as well as to update sustainable practices, will ensure Conscious Points remain a constant feature of the membership scheme.

2. On their websites, H&M brand, ARKET, & Other Stories, COS and Monki launched new dedicated spaces to share brand-specific sustainability updates. [Let's change](#) webpage for H&M brand will be live for any new markets and will be regularly updated to reflect the fashion industries sustainable developments and increase customers' awareness.

These brands' sustainability webpages are here to stay to increase sustainable engagement and customers' practices in the long term.

Availability of pledge information

Every year, H&M Group commits to:

- disclose on our sustainability webpage, our commitments and concrete actions,
- disclose in our annual sustainability performance report our achievements and learnings,
- report transparently on emissions within our value chain in our annual sustainability performance report on our website for everyone to access and download as a pdf.



Leyla Ertur

Head of Sustainability H&M Group

H&M Group  COS **WEEKDAY** **MONK**L **H&M**HOME *& Other Stories* **ARKET** **AFOUND**

H & M Hennes & Mauritz AB (publ) was founded in Sweden in 1947 and is quoted on Nasdaq Stockholm. H&M's business idea is to offer fashion and quality at the best price in a sustainable way. In addition to H&M, the group includes the brands COS, Monki, Weekday, & Other Stories, H&M HOME and ARKET as well as Afound. The H&M group has 52 online markets and approximately 5,000 stores in 74 markets including franchise markets. In 2020, net sales were SEK 187 billion. The number of employees amounts to approximately 153,000. For further information, visit hmgroup.com.

² H&M Group's approach to more sustainably sourced materials is available on our corporate website:

- <https://hmgroup.com/sustainability/circular-and-climate-positive/materials/>
- <https://hmgroup.com/wp-content/uploads/2020/10/Animal-Welfare-Materials-Ethics-Policy-1.pdf>

H&M Group's European Green Consumption Pledge – Technical Annex

Product carbon footprint – How H&M Group will leverage the Higg Index suite of tools to align our practices with EU Apparel and Footwear PEF methodology

H&M Group is a founding member of the Sustainable Apparel Coalition ([SAC](#)). The SAC is an international industry-wide group of more than 250 leading apparel, footwear and textile, brands, retailers, suppliers, service providers, trade associations, nonprofits, NGOs and academic institutions working to reduce environmental impact and promote social justice throughout the global value chain. Leveraging the Higg Index suite of tools for the standardized measurement of value chain sustainability, the SAC is working to transform business for exponential impact.

The Higg Index is a suite of tools for the standardized measurement of value chain sustainability, and it is central to the SAC's mission to transform businesses for exponential impact. It is comprised of a core set of five tools that assess the social and environmental performance of the value chain and the environmental impacts of products, including the Higg Facility Environmental Module, Higg Facility Social & Labor Module, Higg Brand & Retail Module, Higg Materials Sustainability Index, and Higg Product Module.

The Higg Product Module is intended to be a global product footprinting tool that extends beyond just measuring the impacts of apparel and footwear products using the EU PEF methodology. Measuring environmental impacts that conform to the EU Apparel & Footwear PEFCR is one of the use cases of the tool, but not the only one.

In 2019, the European Commission (DG Environment) granted the Sustainable Apparel Coalition the facilitation of the Technical Secretariat of the EU Apparel and Footwear PEF. The Technical Secretariat represents a coalition assembling most of the industry, including H&M Group as an active and contributing member. In addition to the EU PEF framework, the Technical Secretariat bases its current work among other methodologies on the Higg Product Module and the French LCA methodology developed by the ADEME.

After successful delivery of the EU Apparel and Footwear PEFCRs, expected for December 2022, the Sustainable Apparel Coalition is planning to update the Higg Product Module to enable the calculation of environmental footprints that conform with the EU Apparel and Footwear PEFCR methodology. Most of the information and approach currently being developed by the Technical Secretariat is already in line with the ones applying to the Higg Product Module. Brands that are already using Higg Product Module before the final PEFCR is complete, such as H&M Group, will be on the path for having EU PEF conforming environmental footprints for their products.

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