H&M Hennes & Mauritz AB - Climate Change 2020

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

H&M is a leading global fashion retailer, offering clothing, accessories, footwear, cosmetics and home textiles. To fully reflect the way we do business the business concept was updated 2015- to offer "Fashion and quality at the best price in a sustainable way". We believe sustainable fashion should be available for everyone. The idea is that people who enjoy fashion should be equally able to dress sustainably. However, to be able to continue to offer sustainable fashion to present and future generations in a world with growing populations and finite resources, both the H&M group and the industry must look for new ways of working. That is why we are taking a circular approach to how fashion is made and used. That includes a more effective use of resources, support of innovations within recycling technologies as well as an increased use of existing or new sustainable materials. We offer broad and varied collections with inspiring fashion for everyone. The collections are wide-ranging and varied, offering women, men, teenagers and children everything from timeless basics to the latest trends. The H&M group makes affordable, good-quality and sustainable fashion available for many people, regardless of their income or where they live – that is our passion and our everyday work. We have taken on the challenge to make fashion sustainable and sustainability fashionable. The fashion collections are created in-house at H&M's headquarters by our designers, pattern makers and buyers.

The H&M Group includes eight clearly defined brands – H&M, COS, Weekday, Monki, H&M Home, & Other Stories, ARKET and Afound. Together, our brands cover customers a wealth of styles and trends in fashion, beauty, accessories and homeware – as well as healthy, modern food in selected stores. We have also become majority owner of the second-hand digital platform Sellpy. Through our integrated physical stores and digital channels, we reach customers around the world. At the end of the financial year H&M had over 179,000 employees

worldwide and was present in 74 markets with the operations and 16 of these being on a franchise basis. As per 31st of November 2019 the total number of stores are approximately 5 000. Online and e-commerce in 51 markets. H&M does not own any factories; products are sourced, through around 20 production offices in Asia, Europe, and Africa, from independent suppliers that are close long-term partners of H&M.

Considerable resources are devoted to ensuring sustainable development for H&M long term. H&M works to bring about sustainable improvements for people and the environment – in the supply chain, our garments' lifecycle and the communities in which H&M is active.

Our vast network of value chain connections means that our social, environmental and economic impacts are significant and far-reaching. Therefore, to maintain our business idea, we need to maximise the positive impacts and minimise the negative impacts we have along our value chain. We achieve this by using our size and scale to leverage and catalyse changes that improve the operation of our own value chain as well as the wider industry.

For more information see our H&M group sustainability report for 2019.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	December 1 2018	November 30 2019	No	<Not Applicable>

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

Australia
Austria
Bahrain
Belarus
Belgium
Bosnia & Herzegovina
Bulgaria
Canada
Chile
China
Colombia
Croatia
Cyprus
Czechia
Denmark
Egypt
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Japan
Jordan
Kazakhstan
Kuwait
Latvia
Lebanon
Lithuania
Luxembourg
Malaysia
Mexico
Morocco
Netherlands
New Zealand
Norway
Oman
Peru
Philippines
Poland
Portugal
Puerto Rico
Qatar
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Serbia
Singapore
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Taiwan, Greater China
Thailand
Turkey
Ukraine
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United States of America
Uruguay
Viet Nam

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

SEK

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	The Auditing Committee, which consists of three Board members, monitors the company's financial reporting, including monitoring the effectiveness of the company's internal control and risk management. This includes among other things our climate risks. The Auditing Committee reviews performance in relation to all risks quarterly. Once every year the gross list of corporate risks is reviewed and updated. Climate risks are currently identified as one of our major corporate risks. The Auditing Committee has overall responsibility for monitoring progress of our climate strategy including our plans and actions to mitigate climate risks. The work is led by the Chairman of the Auditing Committee, supported by the other two members. The committee has made the decision to integrate climate-related risk in the integrated risk management system. Sustainability performance, including climate, is presented by our CEO at every Board meeting. In addition, deep dives into sustainability, including climate, are made at least twice per year when our Head of Sustainability (CSO) joins the Board meetings.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	<Not Applicable>	At every board meeting our CEO reports on sustainability, including climate, to the board. Twice a year, the CSO joins the Board meeting to present a deep dive into sustainability (including climate) performance and progress against our established targets. The Board monitors the implementation of our sustainability strategy (where climate is one of the cornerstones) and makes changes and updates where needed. These procedures and governance mechanisms allow the Board to maintain close oversight over the company's sustainability and climate performance also ensuring sufficient management focus and resources.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	More frequently than quarterly
Chief Sustainability Officer (CSO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Half-yearly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

The CEO (Chief Executive Officer) is responsible for the daily management of the company as directed by the board. This means that, among other things, the CEO must focus on e.g. recruitment of senior executives, buying and logistics matters, the customer offering, pricing strategy, sales and profitability and sustainability matters. Climate change is one of the most important challenges facing H&M and it has therefore been decided that the CEO should have utmost responsibility in this area. The main role for the CEO in this respect is to a) monitor progress against set goals, b) assess whether additional resources are needed and c) assess the effectiveness of our current climate strategy and initiate revisions when needed.

The CSO (Chief Sustainability Officer) reports directly to our CEO (in the same level as e.g. the CFO). She leads our operational work aiming to truly integrate sustainability in all parts of the company in everything we do. Climate is a core part of this. Further our CSO has the responsibility to lead the development and update of our climate strategy, also ensuring that all functions and brands sets appropriate goals and targets in line with the strategy. Our CSO also leads the work to monitor our performance against set goals and reports this frequently to the CEO (monthly) and to the Board (bi-annually). Having the CSO reporting directly to CEO and also participating regularly at board meetings increases the focus on climate risks and opportunities throughout the company and ensures a strong focus on continuously improving our performance.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity inventivized	Comment
All employees	Non-monetary reward	Efficiency target	We have various ways to encourage and reward our colleagues and functions within the company. On the retail side, ie each sales country, we have a conscious award given to a country each year. The selection is based on sustainability related performance where energy efficiency is one of the parameters. Each sales country is measured against the global energy efficiency goal and possibly rewarded for good performance. Also, H&M's garment collection program is a huge environmental project where reused and recycled textiles is minimizing the need for resource outtake. This leads to decreased energy outtake compared to production based on solely virgin material. Sales countries and also store level within sales countries are promoted to collect an increased amount of textiles each year to make sure unwanted textiles is return into the production phase rather than thrown into landfill.
Corporate executive team	Monetary reward	Efficiency target	The CEO and certain senior executives are included in a bonus scheme. We have 4 pillars of performance to be measured on. One of these 4 pillars is Sustainability including climate. The size of the bonus per person is based on the fulfilment of targets in their respective areas of responsibility. The result is linked to the measurable profit targets (qualitative, quantitative, general, individual) set in advance within their respective areas of responsibility. The targets within each area of responsibility are aimed at promoting H&M's development in both the short and the long term.

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	For environmental and climate change strategies, initiatives and risks, H&M consider time horizons for short-term to be between 1-3 years, medium-term between 3-11 years and long term to be 11-30 years ahead. Assessing and strategizing on a greater time horizon than traditional business risks enables us to plan for risks connected to climate change. These time horizons also align with H&M global goals and targets. For example, our short-term goals (such as 100% recycled cotton) has a target year of 2020.
Medium-term	3	11	Our medium-term goals (such as 100% recycled or sustainable materials, or the goal of climate neutral own operations and tier 1 and tier 2 of the value chain) has 2030 as the target year.
Long-term	11	30	Our long-term goals (such as the climate neutral company and value chain) has a target year of 2040.

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

When identifying and assessing climate-related risks, the risks that have been identified as having substantive financial impact are risks which have been assessed to have a potential financial impact > SEK 10 billion, depending on the likelihood, vulnerability and speed of risk scores. Risks which have been assessed as high have a potential financial impact of SEK 1-10 billion and risks that have scored as medium or low have a potential financial impact of SEK 0,1-1 billion and < 0,1 billion SEK respectively.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered
Direct operations
Upstream
Downstream

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
More than once a year

Time horizon(s) covered
Short-term
Medium-term
Long-term

Description of process
The Auditing Committee (which consists of 3 Board members) reviews performance in relation to all corporate risks quarterly. Once every year the gross list of corporate risks is reviewed and updated. Climate risks are currently identified as one of our major corporate risks. We have performed a climate risk assessment according to the recommendations from TCFD and identified the most significant climate risks to H&M.

1. General risk process
The way H&M works with climate-related risks is integrated into a multi-disciplinary company-wide risk identification, assessment, and management processes. H&M carries out regular risk analysis for both operational and financial risks. At the end of each financial year the analysis is updated in respect of the main operational risks – in the short, medium, and long term. This is carried out in two group-wide documents, based on the probability and impact of each risk. As in previous years, at the end of 2019 each central function reviewed its main risks, assessed these and identified the systems, methods and controls that are in place to minimise any impact of the risks. This information was compiled at group level, after which the functions together prepared the general risk analysis mentioned above with a view to getting an overall picture of the group's main risks – thereby shedding light on the mitigation plans that are in place to manage these risks. The risk analyses for operational risks and for the risks within financial reporting were then dealt with in the auditing committee and thereafter discussed by the Board. Climate change has been identified as one of our key corporate risks.

2. Identifying climate-related risks
During 2018 an overall analysis of climate risks and opportunities was performed according to the recommendations from TCFD. In this analysis we chose two different climate scenarios as defined by the IPCC (RCP2.6 and RCP6.0), and we have looked at different time horizons – short-term, medium term and long-term. The scope was our entire company – everything from raw materials, production and distribution to sales and customers. The first step was to collect information about our operations and to identify the most important geographical locations for e.g. raw material sourcing, key production countries and regions, important transport nodes etc. After this we looked at various possible effects from climate change and identified a gross list of climate-related risks. All our key functions were involved in the risk identification. The risk identification is reviewed and updated annually, while performance against identified risk is reviewed quarterly.

3. Assessment of climate-related risks
With the gross list of climate risks we then held a series of workshops with representatives from all our key functions. The risks were assessed by identifying the possible impact (5 levels), the likelihood (5 levels), our current vulnerability and the speed of change. The risks were then assessed and ranked in 4 categories; Critical, high, medium and low.
The risks that have been identified as having substantive financial impact are risks which have been assessed to have a potential financial impact > SEK 10 billion, depending on the likelihood, vulnerability and speed of risk scores. Risks which have been assessed as high have a potential financial impact of SEK 1-10 billion and risks that have scored as medium or low have a potential financial impact of SEK 0,1-1 billion and < 0,1 billion SEK respectively.

4. Responding to climate-related risks
H&M applies a holistic approach in responding to climate-related risks. Performance related to the climate risks that are assessed as critical is reviewed at least quarterly. Overall climate goals and strategies are updated when necessary. Based on this, each brand and each function in the H&M Group have the responsibility to develop both long-term strategies and short-term action plans in order to manage their climate risks including reducing their own climate impact.

5. Identifying, assessing, and responding to climate-related transitional risks
We have identified transitional risks using scenario analyses (as described above). In addition, a dedicated Business Intelligence Group gathers related information from internal and external sources, and together with our sustainability experts and concerned key business functions identifies and sets the priorities for our sustainability work and its integration into the business and business strategy. The most critical climate-related transitional risk identified to date is market risk of changing customer behavior towards sustainable retail. In responding to this risk, all business functions are currently in the process of analyzing and setting short- and long-term activity plans for reaching a climate positive value chain by 2040. For our Supply Chain, we have set a goal of achieving a climate neutral supply chain (tier 1 and 2) by 2030. Both of these targets have timeframes beyond 6 years.

6. Identifying, assessing, and responding to climate-related physical risk
We have identified physical climate-related risk as particularly relevant for H&M due to our need for climate-vulnerable raw materials in our production, especially cotton. In order to respond to this climate-related risk we diversify our raw material inputs and focus on transitioning to a circular model. This has the added benefit of making us stand out in the fashion retail market and insulate us from raw material volatility and make us less dependent on extracting new resources. One example of our response to this risk is our commitment to switch to 100% recycled cotton and eventually 100% use of recycled or sustainably sourced materials, including polyester, nylon, wool, cashmere, and plastic. H&M group has partnered with Swedish innovation company re:newcell, whose unique technology recycles used cotton, viscose and other cellulosic fibres into a new, more sustainable dissolving pulp that can be turned into new textile fibres. In the 2018 Conscious Exclusive collection, H&M has worked with a new material called Econcyl® – a 100% regenerated nylon fibre made from fishing nets and nylon waste.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	We monitor regulation in each of our markets. We have some examples both when it comes to carbon taxes (e.g. in Sweden) and incentives which affects e.g. the optimal choice for transports. However, so far the impacts of climate related regulation has been comparably low. Current regulations are assessed as a part of H&M's regular risk analysis and are included in our gross list of climate-related risks. The risk is annually assessed against the five levels of impact and likelihood and is subsequently placed in one of four criticality categories depending on potential financial for H&M in the short-term or long-term.
Emerging regulation	Relevant, always included	Risks of new legal demands can affect our sourcing. Examples include new carbon taxes, new legal demands that affects the material prices, costs of manufacturing, costs of transportation etc. We monitor the emerging regulation closely to make sure we make informed decisions. Emerging regulations are assessed as a part of H&M's regular risk analysis and are included in our gross list of climate-related risks. The risk is annually assessed against the five levels of impact and likelihood and is subsequently placed in one of four criticality categories depending on potential financial for H&M in the short-term or long-term.
Technology	Relevant, always included	Technology is a major opportunity to address climate change, and not following the latest technological trends therefore poses a significant risk. Examples include creating more energy efficient solutions when producing our garments, in creating new recycling solutions needed to reduce climate impact. To capture opportunities we invest in, and partner with, innovation companies such as re:newcell and Tree-to-textile. Risks related to technology are assessed as a part of H&M's regular risk analysis and are included in our gross list of climate-related risks. The risk is annually assessed against the five levels of impact and likelihood and is subsequently placed in one of four criticality categories depending on potential financial for H&M in the short-term or long-term.
Legal	Relevant, always included	We monitor legal requirements related to climate in all markets. Examples could include legal action for not adhering to national climate change laws. We have not yet been affected by any climate related litigations. Legal risks are assessed as a part of H&M's regular risk analysis and is included in our gross list of climate-related risks. The risk is annually assessed against the five levels of impact and likelihood and is subsequently placed in one of four criticality categories depending on potential financial for H&M in the short-term or long-term.
Market	Relevant, always included	One of our major risks as well as an opportunity is increased customer awareness and changing consumption patterns among consumers that develops as a result of a growing awareness of the effects of consumption. H&M has a very ambitious, industry leading sustainability strategy focusing on turning these risks into opportunities. Market-related risks are assessed as a part of H&M's regular risk analysis and are included in our gross list of climate-related risks. The risk is annually assessed against the five levels of impact and likelihood and is subsequently placed in one of four criticality categories depending on potential financial for H&M in the short-term or long-term. This risk is currently identified as one of H&Ms most significant risks and we are putting a lot of efforts in mitigation.
Reputation	Relevant, always included	Climate is one of the top of mind risks of our customers, and there is a major risk to our reputation if we are not managing climate issues in an appropriate way. More tangible, visible effects of climate change will also lead to an increased customer awareness, possibly also increasing the focus on the topic of consumption. This could in turn affect the total development of the garment sector. In a world of social media, more eyes are on our operations, our suppliers and our value chain. Reputational risks are assessed as a part of H&M's regular risk analysis and are included in our gross list of climate-related risks. The risk is annually assessed against the five levels of impact and likelihood and is subsequently placed in one of four criticality categories depending on potential financial for H&M in the short-term or long-term. This risk is currently identified as one of H&Ms most significant risks and we are putting a lot of efforts in mitigation.
Acute physical	Relevant, always included	Increased number of natural disasters and extreme weather events could affect especially sourcing countries (our suppliers, raw materials providers and transport providers), where many of these are in areas of south east Asia, and areas where climate change can hit with increased hurricane activity, heavy rain, flooding and landslides. This can also affect our Retail operations (our stores) in greater extent in the future. Acute physical risks are assessed as a part of H&M's regular risk analysis and are included in our gross list of climate-related risks. The risk is annually assessed against the five levels of impact and likelihood and is subsequently placed in one of four criticality categories depending on potential financial for H&M in the short-term or long-term.
Chronic physical	Relevant, always included	Risks that higher sea levels, higher mean temperature on land and in the oceans can affect our raw material sourcing, production and warehouses, which possibly need to move to other countries. Chronic physical risks are assessed as a part of H&M's regular risk analysis and are included in our gross list of climate-related risks. The risk is annually assessed against the five levels of impact and likelihood and is subsequently placed in one of four criticality categories depending on potential financial for H&M in the short-term or long-term.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Upstream

Risk type & Primary climate-related risk driver

Chronic physical	Rising mean temperatures

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

As a company in the fashion industry the H&M group is highly dependent on raw materials and major commodities, which are impacted by climate change. A major commodity for the H&M group is cotton, which during 2018 represented around 60 percent of all raw materials. Climate change is expected to result in increased temperatures and changes in precipitation patterns, both as chronic changes and as more acute impacts in the short-term, with an increased frequency of extreme weather events. Climate change is projected to impact cotton yields in selected regions of China, India and Pakistan, where water shortage, higher extreme temperatures and changes to precipitation are expected. In a +1,5°C scenario, the global cotton production may decrease with up to around 20 percent to 2040, and continue to decrease in the long-term. After 2040, the projections on impacts of cotton availability will heavily depend on the emission pathway, with severe effects in a +4°C scenario. Climate change could theoretically also enable cotton to be grown in regions where it's not suitable to grow cotton today. However, our analysis show that this is unlikely to happen to a larger extent due to competition for arable land. Most countries will prioritize food production. This leads to the conclusion that cotton production in the world is likely to be reduced and, given that demand will remain the same or increase, prices will be pushed upwards. Also other key raw materials are expected to increase in price – e.g. polyester which in most cases is fossil based and conventional viscose which is mainly wood-based and requires a lot of energy and chemicals during manufacturing.

Time horizon

Long-term

Likelihood
Likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
3000000000

Potential financial impact figure – maximum (currency)
5000000000

Explanation of financial impact figure
Raw material could represent between 30 and 50 percent of COGS (Cost of goods sold) depending on material, product, supply and demand. Applying this on H&M group, and assuming a hypothetical raw material price increase of 10% would mean increased costs of SEK 3-5 billion. It should also be noted that the price volatility is expected to rise because of more extreme weather events. The variation from year to year could therefore be substantial. The increased raw material costs will affect our suppliers who will try to pass them on to their customers meaning us and our competitors. All things equal this would lead to increased prices for the end-users. Please note that we have not tried to make a prognosis of the development of raw material prices, but rather a sensitivity analysis indicating how costs could be impacted of a hypothetical 10% raw material price increase.

Cost of response to risk
500000000

Description of response and explanation of cost calculation
H&M wants to increase our use of recycled materials making us less dependent on virgin raw materials. Currently our share of recycled or sustainably sourced materials are 57%. We are developing business models, which are more resource efficient and will make us less dependent on virgin raw materials and less sensitive to raw material price increases. Another focus is on innovation related to new materials and new recycling technologies which will support our goal of becoming 100 percent circular. We have e.g. invested around SEK 500 million in companies such as Worn again, Renewcell, Tree-to-textile, Ambercycle, Thread and Sellpy in order to mitigate this risk. The H&M group has a global material organization that is working with raw material sourcing. This means that we are well set in dealing with regional price differences and can easily change raw material suppliers when necessary. We can also adjust our assortment choosing alternative materials when raw material prices fluctuate, as long as it follows our business idea to offer our customers the best combination of fashion, quality, price and sustainability. Our work to mitigate effects of raw material price increases long-term is mainly related to our circular strategy and in becoming less dependent of virgin raw materials. The costs related to these activities are difficult to track, as it involves several functions and cost centers. For example about 180 million has been invested in Sellpy to expand globally.

Comment

Identifier
Risk 2

Where in the value chain does the risk driver occur?
Upstream

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns

Primary potential financial impact
Decreased revenues due to reduced production capacity

Climate risk type mapped to traditional financial services industry risk classification
<Not Applicable>

Company-specific description
The H&M group sources its production directly from supplier factories around the world. We do not own any factories ourselves. We have analyzed possible impacts on our sourcing from climate change. Some examples of possible impacts are:

• More frequent extreme temperatures may create long-term difficulties for our suppliers to recruit workers to their factories in affected regions or countries.
• Climate change may impact vital human needs such as availability of food and water, which may lead to social unrest, armed conflicts and migration. Important supplier countries that are projected to be more prone to these kinds of risks include Bangladesh, India and parts of China.

Time horizon
Medium-term

Likelihood
Unlikely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
1500000000

Potential financial impact figure – maximum (currency)

2500000000

Explanation of financial impact figure
In order to understand the financial consequences, H&M has looked at two hypothetical scenarios. In the first and worst-case scenario we would be forced to leave one of our most important and most strategic sourcing countries immediately. In the second scenario we would be able to move out step-by-step over a period of 3 years. In these scenarios we estimate increased purchasing costs of SEK 1.2-1.8 billion per year. In the worst-case scenario we will also expect lost sales of somewhere around SEK 3-5 billion due to lack of product availability in our stores. With a 10 percent margin this corresponds to lost profits of around SEK 300-500 million all things equal. The total possible financial impact in terms of lost profits in the worst-case scenario could therefore be estimated to around SEK 1.5-2.5 billion. It should be noted that our competitors sourcing in countries that are possibly being affected also will encounter similar cost increases.

Cost of response to risk
1000000

Description of response and explanation of cost calculation
During 2018 our global sourcing organization has developed contingency plans for each of our suppliers located in countries in high-risk regions. The plans include exits from all the existing suppliers in risk areas and moving to back-up suppliers located in alternative sourcing markets in low risk regions. These plans will be continuously updated. Costs for managing risks connected to changed climate and to develop contingency plans are integrated in the tasks of the global sourcing organization. The costs related to these activities are difficult to track, as it involves several functions and cost centers.

Comment

Identifier
Risk 3

Where in the value chain does the risk driver occur?
Upstream

Risk type & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact
Decreased revenues due to reduced production capacity

Climate risk type mapped to traditional financial services industry risk classification
<Not Applicable>

Company-specific description
The H&M group ships a vast majority of the product by sea through ports in Asia in order to minimize the environmental impact and avoiding air transports as much as possible. We have analyzed risks of possible disturbances to our supply chain due to extreme weather events such as storms and floodings as well as disturbances due to other causes such as strikes. The results indicate that there are particular risks connected to a few strategic harbors catering for a large share of our product flow. The consequences of this could be reduced product availability for our customers and thus reduced sales.

Time horizon
Short-term

Likelihood
Very unlikely

Magnitude of impact
Medium-high

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
500000000

Potential financial impact figure – maximum (currency)
700000000

Explanation of financial impact figure
We have analyzed the financial consequences if selected transport nodes would be immobilized. Even though it's highly unlikely with a total stop, we have looked at a hypothetical scenario when one of our most strategic ports would be totally closed for 2 months because of an extreme event such as flooding. In such a case we would be able to re-direct some of the product flows through alternative distribution routes, harbors and in some cases other modes of transport and involve back-up suppliers in other regions. Despite these mitigations we estimate the damages in terms of both lost revenues and increased costs could be severe. A total stop for two months in one of our strategic ports could mean lost sales amounting to somewhere around SEK 3-5 billion, as well as increased costs of approximately SEK 200 million. All-in-all - with a 10 percent margin - this corresponds to lost profits of around SEK 500-700 million all things equal.

Cost of response to risk
1000000

Description of response and explanation of cost calculation
During 2018 our global sourcing organization has developed contingency plans for each of our suppliers located in countries in high-risk regions. The plans include exits from all the existing suppliers in risk areas and moving to back-up suppliers located in alternative sourcing markets in low risk regions. We are in the process of securing alternative distribution routes for the nodes of critical importance where we currently do not have enough back-up capacity. Regardless of how good mitigation plans we have, it will be difficult to fully mitigate this risk. That said, if the main port for a major sourcing country would be taken out, this would have significant business consequences for all our competitors who also sources from that region. Costs for managing risks connected to changed climate and to develop alternative distribution routes are integrated in the tasks of the global sourcing organization, and are not possible to estimate since they will probably not be direct costs. In addition, this work is integrated in everything we do so it is not related to a separate cost, hence cost of response is an estimate only to cost of time spent developing plans.

Comment

Identifier
Risk 4

Where in the value chain does the risk driver occur?
Downstream

Risk type & Primary climate-related risk driver

Market	Changing customer behavior

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification
<Not Applicable>

Company-specific description
Our industry, fashion retail, is going through a major shift with competition growing increasingly intense. The digital shift also means customer behavior is changing and customer expectations are moving constantly higher. In addition, customers are also becoming more aware of climate change and it's impacts. Increasing awareness about climate change is expected to impact customer preferences with increased focus on products with low climate impact, from trusted companies that are seen as leaders in sustainability. This means both risks and opportunities for the H&M group. Risk such as quickly changed demands from customers in regards to climate impact. Opportunites such as being pro-active and acting strongly before the customer demands shift. If we manage to shift how our products are produced the coming 10 years, it will leave a strong impact. With even more visible effects of climate change and society's inability to address these issues,

Time horizon
Medium-term

Likelihood
About as likely as not

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
2100000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Increased customer awareness related to climate change means both risks and opportunities for a company like the H&M group. It's of course extremely difficult to make a forecast or prediction of the consequences if we would fail to fulfil customer expectations in the climate area, but if we assume a hypothetical loss of 10% of sales it would mean lost sales of approximately SEK 21 billion. With a 10 percent margin this corresponds to decreased profits of around SEK 2.1 billion all things equal.

Cost of response to risk
1000000

Description of response and explanation of cost calculation
The H&M group is leading the change in developing a more sustainable fashion industry. We have a very ambitious sustainability strategy in place, aiming to become climate positive in our whole value chain by 2040 and becoming 100 percent circular including the use of 100 percent recycled and other sustainably sourced materials by 2030. Basically everything we do in becoming more sustainable will contribute to reducing the risks and turning them into opportunities. Key in this is to build trust in our brands and to develop an offer with a lower environmental impact than our competitors, and here we are making good progress. Some examples are our strong work on making our tier 1- and tier 2-suppliers climate neutral by 2030 and our global garment collecting program. The cost for this transition is very difficult to estimate since it is dependant on many local policies. Changing a supply chain with thousands of factories will of course need capital in the billions but many fashion brands wants the same thing and collaboration and sharing is key. Key will also be transparency and increased communication towards customers - both around our success stories and remaining challenges. Our work to create a more sustainable company is integrated in all functions' responsibility. In addition, this work is integrated in everything we do so it is not related to a separate cost, hence cost of response is an estimate only to cost of time spent developing plans.

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?
Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier
Opp1

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
Increasing awareness about climate change may impact customer preferences and focus on buying products or services with low climate impact, from companies they really trust and see as leaders in providing such products or services. This means that there is an opportunity for a company like the H&M group to attract more customers providing a more sustainable and climate smart offer. This could for example be to sell products produced with lower climate impact compared to our competitors and continuously increasing the share of recycled materials. Key is to make this clear for our customers through transparency and allowing them to make conscious decisions. Our ambitious and industry leading sustainability strategy includes, among other goals and ambitions, to only use recycled or other sustainably sourced materials by 2030 and to become climate positive in our whole value chain by 2040. If we are delivering according to this strategy and at the same time fulfilling or exceeding customer expectations in the climate area it could lead to a great opportunity in terms of more market share and faster growth.

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
2100000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Increased customer awareness related to climate change means both risks and opportunities for a company like the H&M Group. It's of course extremely difficult to make a forecast or prediction of how much we could increase our sales if we are fulfilling or exceeding our customers' expectations in the climate area, but if we assume a hypothetical increase of 10% of sales it would mean increased sales of approximately SEK 21 billion. With a 10 percent margin this corresponds to increased profits of around SEK 2.1 billion all things equal.

Cost to realize opportunity
1000000

Strategy to realize opportunity and explanation of cost calculation
The H&M group is leading the change in developing a more sustainable fashion industry. We have a very ambitious sustainability strategy in place, aiming to become climate positive in our whole value chain by 2040 and becoming 100 percent circular including the use of 100 percent recycled and other sustainably sourced materials by 2030. Basically everything we do in becoming more sustainable will contribute to reducing the risks and turning them into opportunities. Key in this is to build trust in our brands and to develop an offer with a lower environmental impact than our competitors, and here we are making good progress. Some examples are our strong work on making our tier 1- and tier 2-suppliers climate neutral by 2030 and our global garment collecting program. The cost for this transition is very difficult to estimate since it is dependant on many local policies. Changing a supply chain with thousands of factories will of course need capital in the billions but many fashion brands wants the same thing and collaboration and sharing is key. Key will also be transparency and increased communication towards customers - both around our success stories and remaining challenges. Our work to create a more sustainable company is integrated in all functions' responsibility. In addition, this work is integrated in everything we do so it is not related to a separate cost, hence cost to realize opportunity is an estimate only to cost of time spent developing plans.

Comment

Identifier
Opp2

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Development of new products or services through R&D and innovation

Primary potential financial impact
Increased revenues through access to new and emerging markets

Company-specific description
We are continuously developing new business concepts and new revenue streams from e.g. local production, re-commerce, clothing care and so on. We have initiated several pilots recently and we believe that many of them have a great potential to reduce our climate impact as well as to build customer trust and additional revenue opportunities. One concrete example is the Take Care concept that has been introduced in an increasing number of countries. With this concept, the H&M group aims to inspire the customers to take better care of their fashion favorites helping them to keep their clothes fresh in a
sustainable way, repair if broken and remake to keep the fashion level, as well as washing and drying their garments in a more climate friendly way. We provide information about garment care, encouraging customers to use products for as long as possible, as well as services and products to help our customers in the best way. We also invest in innovation and new technologies to enable our 100 percent circular & renewable strategy.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
10000000

Potential financial impact figure – maximum (currency)
100000000

Explanation of financial impact figure
The example of potential financial impact is only for the Take Care concept which is a clear revenue creator. The other investments in companies that creates sustainable materials is not possible to define the same way as actual products. Therefor the numbers for potential financial impact and those for the cost to realize opportunity are not comparable (same opportunity but Take Care is only one concept/example.

Cost to realize opportunity
500000000

Strategy to realize opportunity and explanation of cost calculation
The H&M group is leading the change in developing a more sustainable fashion industry. We have a very ambitious sustainability strategy in place, which among other goals and ambitions, aim at becoming climate positive in our whole value chain by 2040 and becoming 100 percent circular including the use of 100 percent recycled and other sustainably sourced materials by 2030. A part of our 100 percent circular strategy is to develop new business concepts and new revenue streams from e.g. local production, rental, re-commerce and clothing care. We have initiated several pilots recently each of them having a great potential in decreasing our climate impact as well as building customer trust and additional revenue opportunities. We also have an investment arm called Co-lab that are investing in companies that can be part of this journey. So far we have invested in companies such as Worn again, Renewcell, Tree-to-textile, Ambercycle, Thread and Sellpy to mention a few. We have invested around SEK 500 million, and in line with our long-term thinking we continue to invest. Our work to create new revenue streams is an integrated part of the work of our Business Development function as well as our investment arm Co-Lab. Therefore, it's not possible to report a specific cost to realize this opportunity.

Comment
The cost is examplified by the investments in companies driving innovation.

Identifier
Opp3

Where in the value chain does the opportunity occur?
Upstream

Opportunity type
Resource efficiency

Primary climate-related opportunity driver
Use of more efficient production and distribution processes

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
As a global company who controls the entire value chain with more than 5 billion annual visits in our stores and online we have great opportunities to better understand our customers behavior and expectations. Applying Advanced Analytics (AA) and Amplified Intelligence (AI) on huge amounts of data we can become more relevant to our customers and substantially reduce our climate impact. We can be much more precise in our decision making and much sharper in aligning supply and demand leading to less over production which leads to less use of material, less transports and so on. While creating an even more relevant offering for our customers, we get less waste and improved efficiencies leading to reduced environmental impact. It's really a win-win-win situation for our customers, for us and for the planet.

Time horizon
Short-term

Likelihood
Likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
2100000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
We have started to implement the use of Advanced Analytics (AA) and Amplified Intelligence (AI) for parts of our business and see very good indications. with increased revenues, together with less costs and less working capital. It's difficult to make a forecast or prediction of how much we could increase our sales, but if we assume a hypothetical increase of 10% of sales it would mean approximately SEK 21 billion. With a 10 percent margin this corresponds to increased profits of around SEK 2.1 billion all things equal.

Cost to realize opportunity

10000000

Strategy to realize opportunity and explanation of cost calculation

We have started to apply Advanced Analytics (AA) and Amplified Intelligence (AI) on selected sales markets and we have been able to be more precise in our decision making and much sharper in aligning supply and demand, leading to less over-production and a higher share of products sold at full price. Our strategy is now to step-bystep introduce this method to all brand, functions and markets within the group. The costs related to these activities are integrated into wider budgets of many different functions. Therefore, it's not possible to report a specific cost to realize this opportunity.
The cost to realize is very difficult to estimate. Our AI and AA department works with so much more than this specific task and we do not follow up on a task level. The team is also increasing all the time. The estimate is on the lower side.

Comment

We do not specify the cost for our staff cost for AA and AI department, nor the cost for data processing, this increases the difficulty to estimate cost.

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative and quantitative

C3.1b

(C3.1b) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
RCP 2.6	For the development of medium-term targets (to 2030) we are ensuring that we do this in line with the directions set by the Science Based Targets Initiative, and also using the RCP 2.6 scenario as a base. It is relevant for H&M because it is not only a business opportunity to be a sustainable company and produce products in a sustainable fashion, but a necessity. The scenarios were identified based on collaborations and dialogue with Stockholm Resilience Center (SRC) and the climate scenarios developed by Professor Johan Rockström. Their inputs and analytical perspective were taken into account. According to SRC the world needs to be at net zero emissions by 2050. We tried to identify what would be needed to create a low carbon society. How does H&M need to evolve to be a part of the solution in reaching the goals of the Paris agreement? The analysis explored two scenarios – one with a +1.5° increase and the other a +3-4° increase – and the results showed that both scenarios involved impacts such as the rise of surface temperatures, rise of ocean temperatures, sea level rise, and increased frequency and severity of extreme weather events. These changes have impacts on human systems such as food and water security, economic activities and development as well as human health and safety. After 2040 it is likely that regulations are in place, hence the importance of adapting business operations to these likely regulatory frameworks in advance. These summary results of the scenario analysis are particularly relevant to H&M due to our reliance on raw materials vulnerable to physical climate changes and our business strategy of becoming circular and investing in sustainable fibre alternatives. The summary results are also relevant to H&M's focus on changes in regulation and consumer behavior as a leading global retailer. The way the scenarios SRC has presented to us has influenced our strategy, is that we have taken into consideration our industry and our company at a long-term perspective. One major example of the results of this forward thinking, is our decision to go from a linear production to a more circular production / value chain. The most important case study of how the results of this scenario analysis has influenced our strategy is that it has led to the development of a goal of a climate positive value chain by 2040 (i.e. 10 years earlier than 2050). The goals include all areas of our organisation: Scope 1, 2 and 3 (for all tiers) have been considered. Even though our own operations stands for a very small part of our emissions, we consider it key from a credibility perspective to be industry leaders when it comes to energy efficiency and renewable energy yourself before being able to set demands and requirements on others.

C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	H&M business has been fundamentally changed as a result of climate change. The most substantial strategic decision made is the shift from linear to circular production and material sourcing in order to lower out climate impact. In our reported risks and opportunities, we have looked at some of these risks, such as access to raw materials, increasing energy prices and price for transportation. But going from linear to circular at an early stage also have great opportunities for being a frontrunner and leading the change. Seizing opportunities for new product development, ensuring access to renewable materials, making resilient supply chains and create new business concepts (for rental, lease and garment care). The change in H&M strategy and the decision to go from linear to circular has had a high impact in the short term on our company and the way we wish to move forward.
Supply chain and/or value chain	Yes	A large share of our carbon footprint is related to supply chain (>75%) and customers (>20%) so therefore a lot of efforts are put into developing CO2-reduction activities related to value chain emissions. There are also identified risks in an increase in extreme weather events for our production sites and transportation providers. To address this our most substantial strategic decision has been to develop contingency plans including back-up suppliers for high-risk countries. All our tier 1 supplier factories have now applied the Higg Index facility module. In addition, 60% of our tier 2 supplier are now also applying the Higgs Index supplier module.
Investment in R&D	Yes	Our core goals - to become 100% circular and climate positive – depend heavily on our investments in R&D, and the ability to create more sustainable fashion, now and in the future. We also need collaborations that will further the development of new technology and innovation. We believe that innovation is the key to achieving industry-wide change. The most substantial strategic decision made is our investment in sustainable materials in collaboration with Swedish innovation company re:newcell, whose unique technology recycles used cotton, viscose and other cellulosic fibres into a new, more sustainable dissolving pulp that can be turned into new textile fibres. We have also created The Laboratory, which is a think-tank within H&M group that works to take an outside-in perspective on our business and challenge our thinking.
Operations	Yes	Climate change has impacted our risk and opportunity assessments in our own operations. H&M group's visionary strategy has been influenced by climate change and has resulted in a goal to have a climate positive value chain by 2040, which means removing more emissions from the atmosphere than that which we (including our value chain) produce. The most substantial strategic decision made is therefore the building of a sustainable platform for our own operations, which is an important part of our risk and opportunity assessments and the building of a resilient future platform for our business. Overall, the strategic goals have 3 priorities: Priority 1 focuses on leadership in energy efficiency to enable us to use as little energy as possible. Priority 2 tackles our 100% renewable energy goal which will help us to ensure that the energy we use is renewable. Lastly, priority 3 targets climate resilience and carbon sinks, to address unavoidable emissions and emissions beyond what our value chain is responsible for. These three priorities are part of our risks and opportunities assessments for our own operations, but will also be implemented across our value chain. There are low impacts to our operations in improving our energy efficiency by 25%.

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Indirect costs Capital allocation Acquisitions and divestments	Climate-related issues have proved to be an opportunity for us in terms of impact on our revenues. Our financial planning in the short term has been to strengthen our focus on sustainable fashion and create sustainable collections (such as the conscious collection), which has had a positive impact on our revenues. We will continue to produce more sustainable fashion products under all our brands and are factoring increased sales of these products into our financial planning process. So far, the sales increase on sustainable product lines are considered medium, but the reputational benefits have a high impact. Over time, we are expecting the sustainable collections to outperform lesser sustainable collections, making the impact high in the long term. The global climate-related energy transition has influenced our financial planning in terms of our operating costs. Increasing energy prices has led to H&M looking into transitions to renewable energy, both for own operations and in our value chain. For our own operations we have added low energy solutions (e.g. LED) in our stores and invested in Renewable energy (by purchasing RECs and GOO). Our long-term planning for capital allocation has been influenced in that we have implemented carbon pricing for transport by air and created an internal carbon fund. This fund will in turn finance other reduction activities in the medium to long term. Our investment acquisitions have been impacted by our strategy to become a circular company and lower our carbon footprint. The Lab invests in companies developing more sustainable fabrics. H&M CO:LAB invests in three areas: sustainable fashion – that develop the technologies the industry needs to become fully circular and sustainable, innovative business models – companies that explore how consumers will shop fashion in the future and enablers – companies that provide technology and solutions that makes us better. By investing in these types of companies, we support the long-term growth of H&M group. The current impact on our financial planning process is low, but the possibilities within these investments can be high in the long term. As an example of how climate-related issues have impacted our investments, in 2019 we made a new investment in Infinited Fiber Company, a company that gives new life to fibers and thereby helps to close the loop in a circular economy and reduce raw material extraction. We make these types of investments in order to respond to climate-related risks of disappearing raw materials as well as regulations on linear economic business models.

C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

No additional information to report.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Both absolute and intensity targets

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number
Abs 1

Year target was set
2017

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (market-based) +3 (upstream & downstream)

Base year
2016

Covered emissions in base year (metric tons CO2e)
18297000

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2040

Targeted reduction from base year (%)
100

Covered emissions in target year (metric tons CO2e) [auto-calculated]
0

Covered emissions in reporting year (metric tons CO2e)
17723492

% of target achieved [auto-calculated]
3.13443733945456

Target status in reporting year
Underway

Is this a science-based target?
Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)
H&M group's goal is to have a climate positive value chain by 2040, which means removing more emissions from the atmosphere than that which our value chain produces. This target has not formally been approved by the SBTi. However, since it covers all our value chain emissions and it has an ambition level that goes beyond SBTi (to become climate positive) we consider it to be science-based.
With the help of expert scientific organizations and the WWF Climate Savers, we have taken a science-based approach to establish three key priorities to help us reach this goal. Priority 1 focuses on leadership in energy efficiency to enable us to use as little energy as possible. Priority 2 tackles our 100% renewable energy goal which will help us to ensure that the energy we use is renewable. Priority 3 targets climate resilience and carbon sinks, to address unavoidable emissions and emissions beyond what our value chain is responsible for. These three priorities relate to emissions in both our own operations and those across our value chain.
We are committed to fully eliminating greenhouse gas emissions from our own operations. However, despite our best efforts, we recognise that there will still be unavoidable emissions in our value chain. To truly become climate positive, we are engaging in activities to absorb emissions both within and beyond our direct control. This involves actively supporting mechanisms that reduce existing emissions while strengthening climate resilience. We need to further develop this approach and collaborate with experts to move solutions forward. Currently, we are exploring opportunities in 3 areas: 1. Natural carbon sinks – these are nature's existing mechanisms for absorbing greenhouse gases. This area could include protecting valuable biomass (such as rainforests) or investments in more sustainable agriculture. 2. Technological carbon sinks – these are technological innovations that are designed to absorb existing greenhouse gases and turn them into new products and materials. 3. Reductions outside our value chain – these are engagement activities that reduce greenhouse gases coming from sources unrelated to our value chain.
Only accounting for energy efficiency initiatives in the Supply chain, our reduction efforts have contributed to a reduction of 183 296 tonnes of CO2. This represents 1% of total emissions across the value chain.

Target reference number
Abs 2

Year target was set
2018

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (market-based)

Base year
2017

Covered emissions in base year (metric tons CO2e)
63690

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2030

Targeted reduction from base year (%)
40

Covered emissions in target year (metric tons CO2e) [auto-calculated]
38214

Covered emissions in reporting year (metric tons CO2e)
61462

% of target achieved [auto-calculated]
8.74548594755849

Target status in reporting year
Underway

Is this a science-based target?
Yes, this target has been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)
The scope of this target is all our scope 1 & 2 emissions. The main components are use of fuels, refrigerants and electricity in our stores, warehouses and offices. Up to 2017 we have reduced CO2-emissions from our electricity use by 96%, so the remaining climate impact from electricity use are quite limited. The main remaining emissions sources are therefore use of refrigerants and fuels, the latter is mainly use of natural gas in some of our warehouses.

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number
Int 1

Year target was set
2018

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 3: Purchased goods & services

Intensity metric
Metric tons CO2e per unit of production

Base year
2017

Intensity figure in base year (metric tons CO2e per unit of activity)
0.005683

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure
76

Target year
2030

Targeted reduction from base year (%)
59

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]
0.00233003

% change anticipated in absolute Scope 1+2 emissions
0

% change anticipated in absolute Scope 3 emissions
41

Intensity figure in reporting year (metric tons CO2e per unit of activity)
0.0058

% of target achieved [auto-calculated]
-3.48944368723848

Target status in reporting year
Underway

Is this a science-based target?
Yes, this target has been approved as science-based by the Science Based Targets initiative

Please explain (including target coverage)
This is a target that has been approved by the Science-Based Targets Initiative, where the H&M group commits to reduce absolute scope 3 GHG emissions from purchased raw materials, fabric and garment by 59% per piece by 2030 (meaning per piece of garment produced). Included in the scope is thus all upstream emissions related to raw materials, fabric and garment manufacturing. The main focus to reach this target will be to step-by-step use raw materials with lower climate impact (e.g. recycled materials), to continue with our focus on energy efficiency at all our tier 1- and tier 2-suppliers and to support our suppliers to step-by-step increase their use of renewable electricity and fuels.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

No other climate-related targets

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	0	0
To be implemented*	0	0
Implementation commenced*	2	50000
Implemented*	2	74991
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in buildings	Lighting

Estimated annual CO2e savings (metric tonnes CO2e)
0

Scope(s)
Scope 2 (market-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
581566

Investment required (unit currency – as specified in C0.4)
2026012

Payback period
4-10 years

Estimated lifetime of the initiative
11-15 years

Comment
This is an example from when we are retro fitting our stores with LED lighting.

Initiative category & Initiative type

Energy efficiency in production processes	Process optimization

Estimated annual CO2e savings (metric tonnes CO2e)
74991

Scope(s)
Scope 3

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
723627673

Investment required (unit currency – as specified in C0.4)
245897974

Payback period
<1 year

Estimated lifetime of the initiative
6-10 years

Comment
Our goal is to create a climate neutral supply chain for our tier 1 and tier 2 suppliers by 2030. This commitment involves both focus on energy efficiency and a transition to renewable energy. We have rolled out energy efficiency and cleaner production projects across our sourcing markets, which enabled participating factories to modernize their energy management systems, improve energy efficiency and in-turn reduce carbon emissions. We ran 10 different supplier energy efficiency programmes during 2019 among others in Bangladesh, China, India and Turkey.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Internal price on carbon	With our climate strategy as a backbone, we are constantly working to integrate a climate smart way of working within each part of our organization to understand, measure and reduce our emissions across the value chain. We are currently investigating and evaluating Carbon Pricing as a potential mechanism to support in understanding, measuring and reducing our emissions by raising awareness and operationalizing them. We are committed to continue exploring potential applications of carbon pricing with or without putting the money to use in an internal climate fund. This implies also investigating the potential of a shadow price reflecting the long-term consequences of CO2 emissions to take into account and affect the outcome when making strategic decisions.
Dedicated budget for low-carbon product R&D	As part of our goal towards 100% recycled and other sustainably sourced products, we currently use several types of recycled materials including recycled cotton, polyester, nylon, wool, cashmere and plastic. But we are constantly working to increase this share and maximise our use of recycled or other sustainably sourced materials. The challenge we face, however, is that viable recycling solutions for many types of textile fibres – especially blended fibres – have either not been invented yet or are not commercially available at scale. To tackle this, we are creating demand for these solutions and working with scientists and innovators including Worn Again, re:newcell, the HKRITA and the Circular Innovation Working Group to name but a few. As part of our climate strategy, we are looking into Technological carbon sinks – these are technological innovations that are designed to absorb existing greenhouse gases and turn them into new products and materials.
Dedicated budget for energy efficiency	With over 4,700 stores, our bricks and mortar portfolio accounts for the majority of H&M group's own electricity consumption. As such, we have developed a new goal and a new store energy management strategy to help reduce our in-store energy consumption and reach our 2040 climate-positive goal. Originally, our goal was to achieve a 20% reduction in electricity intensity (amount of electricity used per square metre of sales area) by 2020. We have now increased our goal to a 25% reduction in electricity intensity by 2030. We will measure this by taking into account the amount of electricity used per square metre of sales area and opening hours, with 2016 as a new baseline. As lighting and HVAC (heating, ventilation, air-conditioning) accounts for 90% of the electric energy we use in our stores, our new store energy management strategy aims to improve the way we work with these systems. By putting more specific demands on HVAC systems and replacing HID with LED lighting systems, we believe that by 2030, every store we construct will use 40% less energy per square metre and opening hour than those we construct today.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation
Group of products

Description of product/Group of products
Recycled polyester

Are these low-carbon product(s) or do they enable avoided emissions?
Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Other, please specify (LCA-data)

% revenue from low carbon product(s) in the reporting year
1

% of total portfolio value
<Not Applicable>

Asset classes/ product types
<Not Applicable>

Comment
In 2019, 57% of the materials used by H&M group included recycled or other sustainably sourced materials (around 0,5% recycled). • In 2019, we used the equivalent of over 537 million plastic PET bottles in recycled polyester. In the 2019 Conscious Exclusive collection, H&M has worked with a range of recycled material (e.g polyester, wool, cashmere) – a 100% regenerated nylon fibre made from fishing nets and nylon waste. H&M group has invested in a Swedish innovation company re:newcell, whose unique technology recycles used cotton, viscose and other cellulosic fibres into a new, more sustainable dissolving pulp that can be turned into new textile fibres. • H&M group has joined DEMETO, a research project focusing on recycling polyester textiles into new fibres without compromising quality. The project is partly funded by the EU and other partners.
Usage of recycled polyester (instead of conventional) between 2012 and 2018 has saved more than 40 000 tons of CO2.

Level of aggregation
Group of products

Description of product/Group of products
Recycled cotton

Are these low-carbon product(s) or do they enable avoided emissions?
Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Other, please specify (LCA-data)

% revenue from low carbon product(s) in the reporting year
1

% of total portfolio value
<Not Applicable>

Asset classes/ product types
<Not Applicable>

Comment
H&M now uses 96% sustainable cotton (recycled, BCI and organic).

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start
January 1 2011

Base year end
December 31 2011

Base year emissions (metric tons CO2e)
18299

Comment

Scope 2 (location-based)

Base year start
September 1 2010

Base year end
August 31 2011

Base year emissions (metric tons CO2e)
309867

Comment

Scope 2 (market-based)

Base year start
September 1 2014

Base year end
August 31 2015

Base year emissions (metric tons CO2e)
272683

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
13380

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are reporting a Scope 2, location-based figure

Scope 2, market-based
We are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based
640867

Scope 2, market-based (if applicable)
48082

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?
No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Metric tonnes CO2e
14081839

Emissions calculation methodology
The calculations and results are based on a combination on H&M production (e.g. raw material use) combined with the best available public data sources on the related CO2 emissions coming from HIGG MSI tool emission factors database based on the best sources for LCA data , using conservative assumptions where needed. We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard, where category 1 (purchased goods and services) is subdivided further.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
Calculations are done using H&M data sources.

Capital goods

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
H&M does not buy or sell capital goods, is not a part of the business model and therefore not relevant.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status
Relevant, calculated

Metric tonnes CO2e
10319

Emissions calculation methodology
The calculations and results are based on a combination on H&M production and sales data (e.g. raw material use, amount of garments produced and sold, etc.) combined with the best available public data sources on the related CO2 emissions, using conservative assumptions where needed. We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
Calculations are done using H&M data sources.

Upstream transportation and distribution

Evaluation status
Relevant, calculated

Metric tonnes CO2e
561427

Emissions calculation methodology
We collect information straight from the suppliers of transport providers through delegation forms. We ask them to provide what type of fuel they use, the amount and distance. We calculate using emission factors from the best sources publicly available. We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
We collect data from our transport providers on fuels used and kilometers driven

Waste generated in operations

Evaluation status
Relevant, calculated

Metric tonnes CO2e
3597

Emissions calculation methodology
The calculations and results are based on a combination on H&M production and sales data (e.g. raw material use, amount of garments produced and sold, etc.) combined with the best available public data sources on the related CO2 emissions, using conservative assumptions where needed. We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
Calculations are done using H&M data sources.

Business travel

Evaluation status
Relevant, calculated

Metric tonnes CO2e
38884

Emissions calculation methodology
We have surveyed all our business travel agencies globally, to provide us with emissions where possible. We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
We have collected CO2 data from agencies and tranport companies

Employee commuting

Evaluation status
Relevant, calculated

Metric tonnes CO2e
44128

Emissions calculation methodology
The calculations and results are based on a combination on H&M locations, staff numbers and average distances for employees to travel to work. We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
Calculations are made using H&Ms own data sources

Upstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
H&M does not own or lease any part of the upstream assets and is therefore not relevant

Downstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
H&M stores are overwhelmingly located in urban centers or in locations with extensive public transportation options, which tend to be relatively low carbon, for downstream transportation. Note: transportation and distribution associated with online sales operations is included in our upstream transportation and distribution emissions calculations. This category is thus estimated to not contribute significantly to the company's total scope 3 emissions and it is not estimated to be a significant contributor to the company's risk exposure.

Processing of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
H&M does not do any processing of sold products

Use of sold products

Evaluation status
Relevant, calculated

Metric tonnes CO2e
2231142

Emissions calculation methodology
The calculations and results are based on a combination on H&M sales data (amount of garments sold) combined with the best available public data sources on the related CO2 emissions, using conservative assumptions where needed. We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
Calculations are made using H&Ms own data sources

End of life treatment of sold products

Evaluation status
Relevant, calculated

Metric tonnes CO2e
97636

Emissions calculation methodology
The calculations and results are based on a combination on H&M sales data (amount of garments produced and sold) combined with the best available public data sources on the related CO2 emissions, using conservative assumptions where needed. We also add the data from our garment collect service provider, and account for the effect for the garmentas that are resold (no end of use emissions). We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard

Percentage of emissions calculated using data obtained from suppliers or value chain partners
10

Please explain
Calculations are made using H&Ms own data sources, but also included garment collection data from ICO garment collect

Downstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
H&M does not have leased asset downstream.

Franchises

Evaluation status
Relevant, calculated

Metric tonnes CO2e
52649

Emissions calculation methodology
The calculations and results are based on a combination on H&M square meters data and energy intensity of our stores per square meter in the region. We allocate emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
Calculations are made using H&Ms own data sources on square meters of stores, and energy intensity of our own stores per sq meter in the area

Investments

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
This is not relevant to H&M's business model.

Other (upstream)

Evaluation status

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

Other (downstream)

Evaluation status

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

C6.7

(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?
No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
0.24502316

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
61462

Metric denominator
unit total revenue

Metric denominator: Unit total
250842

Scope 2 figure used
Market-based

% change from previous year
2

Direction of change
Increased

Reason for change
We had great results from store electricity savings in stores -10% per sq meter per opening hour, but we have increased our consumption of gas in a few warehouses and district heating in our operations due to strange weather patterns. In total, we have increased the emissions.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?
Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	13260	IPCC Fifth Assessment Report (AR5 – 100 year)
CH4	18	IPCC Fifth Assessment Report (AR5 – 100 year)
N2O	102	IPCC Fifth Assessment Report (AR5 – 100 year)

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Sweden	0
Other, please specify (Rest of the world)	13380

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.
By activity

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Building heating	12772
Other	608

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh)
Sweden	1240	0	57551	57551
Other, please specify (Rest of the world)	639627	48082	1616913	1491341

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.
By activity

C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Offices and data centers	403	364
Warehouses	39784	5620
Production offices	2232	1439
Sales	598449	40660

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?
Increased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0	No change	0	No change in renewable energy consumption.
Other emissions reduction activities	171	Decreased	171	We have decreased electricity intensity in our stores per square meter per opening hour by 10%, however due to store growth and increase in electricity use in DCs, we only see the improvement in electricity consumption by -0,3% The total S1 and S2 emissions in 2018 were 56 977 tCO2e. Emission reduction initiatives led to a decrease of 171 tCO2e. The percentage decrease was found with the following calculation: (171/56977)*100=-0,3%.
Divestment	0	No change	0	
Acquisitions	0	No change	0	
Mergers	0	No change	0	
Change in output	0	No change	0	
Change in methodology	785	Increased	1.38	We update emissions factors with the newest from IEA annually. The total S1 and S2 emissions in 2018 were 56 977 tCO2e. Change in methodology led to an increase of 785 tCO2e. The percentage increase was found with the following calculation: (785/56977)*100=1,38%.
Change in boundary	0	No change	0	
Change in physical operating conditions	3871	Increased	6.79	Due to unusual weather patterns, we have used more district heating (2309 CO2 tons) and natural gas (1308 CO2 tons) and fuel (254 CO2 tons) to produce heating. The total S1 and S2 emissions in 2018 were 56 977 tCO2e. Change in physical operating conditions led to an increase of 3 871tCO2e. The percentage increase was found with the following calculation: (3871/56977)*100=6,79%.
Unidentified	0	No change	0	
Other	0	No change	0	

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	64565	64565
Consumption of purchased or acquired electricity	<Not Applicable>	1548892	68021	1616913
Consumption of purchased or acquired heat	<Not Applicable>	48803	0	48803
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	265	<Not Applicable>	265
Total energy consumption	<Not Applicable>	1597960	132586	1730546

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Yes
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)
Diesel

Heating value
HHV (higher heating value)

Total fuel MWh consumed by the organization
2212

MWh fuel consumed for self-generation of electricity
2212

MWh fuel consumed for self-generation of heat
0

MWh fuel consumed for self-generation of steam
<Not Applicable>

MWh fuel consumed for self-generation of cooling
<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration
<Not Applicable>

Emission factor
2.66

Unit
kg CO2e per liter

Emissions factor source
Swedish EPA

Comment

Fuels (excluding feedstocks)
Natural Gas

Heating value
HHV (higher heating value)

Total fuel MWh consumed by the organization
62293

MWh fuel consumed for self-generation of electricity
0

MWh fuel consumed for self-generation of heat
62293

MWh fuel consumed for self-generation of steam
<Not Applicable>

MWh fuel consumed for self-generation of cooling
<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration
<Not Applicable>

Emission factor
2.25

Unit
kg CO2e per liter

Emissions factor source
Swedish EPA

Comment

Fuels (excluding feedstocks)
Kerosene

Heating value
HHV (higher heating value)

Total fuel MWh consumed by the organization
60

MWh fuel consumed for self-generation of electricity
60

MWh fuel consumed for self-generation of heat
0

MWh fuel consumed for self-generation of steam
<Not Applicable>

MWh fuel consumed for self-generation of cooling
<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration
<Not Applicable>

Emission factor
2.66

Unit
kg CO2e per liter

Emissions factor source
Swedish EPA

Comment

C8.2d

(C8.2d) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	2631	2537	360	265
Heat	62293	62293	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero emission factor in the market-based Scope 2 figure reported in C6.3.

Sourcing method
Unbundled energy attribute certificates, Guarantees of Origin

Low-carbon technology type
Other, please specify (Wind and Solar)

Country/region of consumption of low-carbon electricity, heat, steam or cooling
Other, please specify (Globally)

MWh consumed accounted for at a zero emission factor
1548892

Comment
We understand that adding new renewable energy (RE) generation capacity is needed to contribute to the necessary decarbonisation of energy systems, and we see that it makes good business sense too. We commited to buy RECs that are coming only wind and/or solar, and from production facilities that are no older than 10 years. We are also members of RE100, a group of businesses committed to using renewable electricity.

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Verification statement_EY.pdf

Page/ section reference
p. 1-3

Relevant standard
ISAE3000

Proportion of reported emissions verified (%)
100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Verification statement_EY.pdf

Page/ section reference
p. 1-3

Relevant standard
ISAE3000

Proportion of reported emissions verified (%)
100

Scope 2 approach
Scope 2 market-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Verification statement_EY.pdf

Page/ section reference
p. 1-3

Relevant standard
ISAE3000

Proportion of reported emissions verified (%)
100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category
Scope 3: Upstream transportation and distribution

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Verification statement_EY.pdf

Page/section reference
p. 1-3

Relevant standard
ISAE3000

Proportion of reported emissions verified (%)
100

Scope 3 category
Scope 3: Business travel

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Verification statement_EY.pdf

Page/section reference
p. 1-3

Relevant standard
ISAE3000

Proportion of reported emissions verified (%)
100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?
No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?
No, and we do not anticipate being regulated in the next three years

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?
No

C11.3

(C11.3) Does your organization use an internal price on carbon?
Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price
Drive low-carbon investment

GHG Scope
Scope 3

Application
H&M is using carbon pricing with the purpose of steering away from goods transportation by air. Air transports are subject to a fee of 30 USD per ton, and we have created an internal carbon fund which uses the money to support development in other areas.

Actual price(s) used (Currency /metric ton)
300

Variance of price(s) used
We have used uniform and static pricing of carbon emission. We have applied a price of 30 USD (~300 SEK) per metric tonne CO2.

Type of internal carbon price
Internal fee

Impact & implication
This fund will in turn finance projects/initiatives that is helping us reach our climate positive 2040 target. The fee in itself makes it more costly for our H&M buyers to use air transport and will in this way steer towards more climate smart alternatives. Each buyer in H&M is responsible for arranging the transports of the products that they are responsible for, and the costs will affect their personal result. Therefore, having an internal fee for air transports impact their choice of transports. The internal fund enables us to carry through investments aiming to reduce our climate impact that otherwise would not have been possible. One concrete example is that we have used money in the fund to introduce new, more sustainable materials e.g. recycled polyester in parts of our product range. We also use the funds to test new more sustainable raw materials in a small scale, and after testing being able to scale up. During 2020 we are investigating if there are areas where it make sense to extend a similar setup of internal carbon pricing to increase the speed of the transition.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?
Yes, our suppliers
Yes, our customers

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement
Engagement & incentivization (changing supplier behavior)

Details of engagement
Run an engagement campaign to educate suppliers about climate change
Climate change performance is featured in supplier awards scheme

% of suppliers by number
32

% total procurement spend (direct and indirect)
30

% of supplier-related Scope 3 emissions as reported in C6.5
30

Rationale for the coverage of your engagement
Our long-term goal is to have a climate neutral supply chain for our tier 1 and tier 2 suppliers by 2030. This commitment involves both increased energy efficiency and a transition to renewable energy. The main pillars of our supplier engagement programs are: 1. Supplier selection process - all new suppliers are evaluated from an energy and climate point of view 2. Code of conduct – climate KPIs are included 3. Reporting system – all suppliers need to quarterly report energy use and climate emissions 4. Supplier award system – sustainability including climate is one of 4 key areas 5. Focus on reducing energy use and CO2 emissions through education of all suppliers as well as invitation to participate in our energy efficiency programs We have rolled out energy efficiency and cleaner production projects across our sourcing markets e.g. in Bangladesh, China, Turkey, Indonesia, Myanmar, Cambodia, Vietnam and India, which enabled participating factories to modernize their energy management systems, improve energy efficiency and in-turn reduce carbon emissions. We are committed to maximizing the use of renewable and sustainable energy in our supply chain. Up to 2018 we have introduced energy efficiency programs in 671 supplier factories corresponding to approximately 20% of our purchase volume. The factories that so far have been chosen to be included in the programs have done so based on the following criteria; a) Size of factory b) Energy/carbon intensity c) Maturity of energy management d) Business relationship. The program includes training and capacity building, as well as expert visiting the factories chosen to identify possible measures to reduce energy use. Our suppliers are selected based on price, quality, ability to deliver in time and sustainability performance. The supplier climate performance is one parameter in the supplier evaluation and selection process together with other relevant sustainability parameters.

Impact of engagement, including measures of success
We are working closely with our suppliers and our stakeholders – including government bodies – to push for further progress. For example, in 2018 we ran workshops in Bangladesh and India with our suppliers and government representatives to encourage renewable energy and identify potential ways of moving forward. We have also been working with experts (such as IFC and WWF) to create low-carbon roadmaps in sourcing markets, including research and analysis on renewable energy regulatory and commercial frameworks and financing mechanisms. We have also conducted more than 20 prefeasibility studies on rooftop solar projects in Bangladesh, China and India. Implementation of 5 renewable energy demonstration projects with aggregate capacity of over 5 MW are installed or underway. We have received very positive response from our suppliers. The results so far also indicate that the program is successful. We measure the success of our climate-related engagement with these suppliers by emission reduction and monetary savings. In the 10 projects carried through in 2019 covering 229 suppliers we managed to reduce CO2 emissions with 183 000 tonnes due to different types of measures to reduce energy use. In one of the projects covering 10 suppliers we have also received data on monetary savings – the total investments made were SEK 48 141 678 and the annual savings were calculated to SEK 68 651 194. Thus, a very god business case at the same time reducing CO2 emissions significantly. We will continue to enroll new suppliers into the energy efficiency program the coming years aiming to reach 100% of suppliers in the next 5-10 years. We require all suppliers to regularly (at least quarterly) to report energy use, energy efficiency and CO2 emissions, and could in this way track progress.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement
Education/information sharing

Details of engagement
Run an engagement campaign to educate customers about the climate change impacts of (using) your products, goods, and/or services

% of customers by number
100

% of customer - related Scope 3 emissions as reported in C6.5
20.2

Portfolio coverage (total or outstanding)
<Not Applicable>

Please explain the rationale for selecting this group of customers and scope of engagement
We are working to inspire all our customers through, for example campaigns and collections with environmental focus and raising awareness around more environmentally friendly garment care. We are working together with other global companies to establish a credible model for measuring customer impact and how to take credit for changed behaviour in customer base.This is needed in order to be able to prove that the actions we take actually have an impact among our customers. An example of our work to inspire and engage our customers is the Take Care concept. It's a step towards a more sustainable future where H&M inspire the customers to take better care of their fashion favorites helping them to keep their clothes fresh in a sustainable way, repair if broken and remake to keep the fashion level, as well as washing and drying their garments in a more climate friendly way. We provide information about garment care, encouraging customers to use products for as long as possible, as well as services and products to help our customers in the best way. Today the concept can be found in Paris, London, Oslo, Stockholm and Malmö, and more markets and cities will be added during the fall. When the clothes have reached end of life, we offer opportunities for reuse and recycling, rather than disposal. This will create a positive behavioural change. To prolong the life of a garment as well as influencing how customers wash. Our long-term target for this is initiative is basically all our customers, even though the biggest efforts are initially put in the biggest sales countries in Europe. Step-by-step we will increase focus on all markets. We see a great potential to influence our customers all around the world, and will in this way also be able to reduce our carbon footprint significantly.

Impact of engagement, including measures of success
We have seen a very positive reactions from our customers. One way of measuring impact is to monitor how much garments that are collected annually. In 2018 we collected 20 649 tonnes of textiles through our global garment collecting initiative. This is an increase of 40% compared with 2018. We can clearly see that the interest and engagement among customers are steadily increasing. We of course also track sales of products and services within the Take Care concept. We also aim to develop better methods to more specifically measure impact of changed consumer behavior in terms of reduced CO2-emissions.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?
Direct engagement with policy makers
Funding research organizations

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Carbon tax	Support	We are members of RE100 and also We Mean Business supporting putting a price on carbon. We have publicly committed to this and also engage in various communication for it. We are not promoting a specific way of applying a price on carbon but support the practice of doing it. Once there is a system concluded we will adapt immediately, whatever system decided. We have committed to the World bank's statement on putting a price on carbon	H&M is not taking an active part in what legislation to be implemented as long as it is to decrease carbon by putting a price on carbon. We embrace decarbonization through a price tag and will adapt immediately once there is a system suggested/concluded.
Mandatory carbon reporting	Support	We believe carbon reporting should be mandatory for all companies. We disclose our carbon information and have publicly committed to do so. We support CDSB. We have as well together with WWF, RE100 and Ikea had seminars and one-on-one meetings in the European Parliament to make sure they voted for as high Europeans targets as possible on renewable energy and energy efficiency.	Mandatory carbon reporting

C12.3d

(C12.3d) Do you publicly disclose a list of all research organizations that you fund?
No

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

H&M has a specific stakeholder engagement group, doing Public Affairs, at the global sustainability department.

This group work with various departments, expertise functions depending on topic, also geographical locations can be included for local perspectives. This helps us

understand the intersection of internal strategic planning and execution in regards to the development of external factors. The different departments and local organizations in all markets are all very aware of our sustainability strategy.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
In mainstream reports, in line with the CDSB framework (as amended to incorporate the TCFD recommendations)

Status
Complete

Attach the document
HM_Annual Report 2019.pdf

Page/Section reference
p. 5-6; p. 23-29; p. 46-51

Content elements
Governance
Strategy
Risks & opportunities
Emission targets

Comment

Publication
In voluntary sustainability report

Status
Complete

Attach the document
H&M Group Sustainability Performance Report 2019.pdf

Page/Section reference
p. 10-23
p. 25-35
p. 52

Content elements
Governance
Strategy
Risks & opportunities
Emission targets
Other metrics

Comment

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

No additional information to report.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Chief Executive Officer, H&M Group	Chief Executive Officer (CEO)

SC. Supply chain module

SC0.0

(SC0.0) If you would like to do so, please provide a separate introduction to this module.

SC0.1

(SC0.1) What is your company's annual revenue for the stated reporting period?

	Annual Revenue
Row 1	

SC0.2

(SC0.2) Do you have an ISIN for your company that you would be willing to share with CDP?

Please select

SC1.1

(SC1.1) Allocate your emissions to your customers listed below according to the goods or services you have sold them in this reporting period.

SC1.2

(SC1.2) Where published information has been used in completing SC1.1, please provide a reference(s).

SC1.3

(SC1.3) What are the challenges in allocating emissions to different customers, and what would help you to overcome these challenges?

Allocation challenges	Please explain what would help you overcome these challenges

SC1.4

(SC1.4) Do you plan to develop your capabilities to allocate emissions to your customers in the future?

Please select

SC2.1

(SC2.1) Please propose any mutually beneficial climate-related projects you could collaborate on with specific CDP Supply Chain members.

SC2.2

(SC2.2) Have requests or initiatives by CDP Supply Chain members prompted your organization to take organizational-level emissions reduction initiatives?

Please select

SC3.1

(SC3.1) Do you want to enroll in the 2020-2021 CDP Action Exchange initiative?

Please select

SC3.2

(SC3.2) Is your company a participating supplier in CDP's 2019-2020 Action Exchange initiative?

Please select

SC4.1

(SC4.1) Are you providing product level data for your organization's goods or services?

Please select

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission	Are you ready to submit the additional Supply Chain Questions?
I am submitting my response	Investors Customers	Public	Yes, submit Supply Chain Questions now

Please confirm below

I have read and accept the applicable Terms