

C0. Introduction

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C0.1

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**(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. In an effort to further strenghten our impact on the textile industry, we have started Treadler, a B2B venue that aims to unlock the possibility for small to medium sized companies to use our sustainability platform and supply chain. 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 2020.

C0.2

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**(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 2019	November 30 2020	Yes	Please select

C0.3

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**(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**

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**(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. Sustainability is being fully integrated in every part of our business so the topic is valid for all members of the board.

### 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	<ul style="list-style-type: none"> <li>Reviewing and guiding strategy</li> <li>Reviewing and guiding major plans of action</li> <li>Reviewing and guiding risk management policies</li> <li>Reviewing and guiding annual budgets</li> <li>Reviewing and guiding business plans</li> <li>Setting performance objectives</li> <li>Monitoring implementation and performance of objectives</li> <li>Overseeing major capital expenditures, acquisitions and divestitures</li> <li>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</li> </ul>	<Not Applicable>	<p>H&amp;M's integrated sustainability work is very important and is discussed regularly by the board. Every six months, the head of sustainability provides an update on the group's sustainability work with reference to key indicators and targets, such as compliance with the Sustainability Commitment, sustainable materials, climate impact, anti-corruption, etc.</p> <p>At each board meeting the chairman of the auditing committee reports to the board on what the auditing committee discussed at its latest meeting. This primarily concerns areas such as accounting, IFRS 16 effects, auditing, tax, customs duties, internal control, risk and various new regulations, legislation and directives such as the GDPR, Task Force on Climate-related Financial Disclosures (TCFD) etc. During the year the board was kept updated on the privacy breach in Nuremberg, Germany, and information on this was provided in conjunction with the nine-month report. The overall risk assessment, including the very largest risks in both the short and the long term, is then also discussed at subsequent board meetings. The chairman of the auditing committee provided the board with ongoing updates on the process of appointing a new accounting firm and at the November meeting the board decided which firm would be presented to the nomination committee, which proposes a new accounting firm for the 2021 AGM to decide on. At four of the year's meetings the board goes through quarterly reports before they are published and at the January meeting the board discusses the annual report, with the auditor also reporting on the year's audit.</p> <p>As every year, during 2020 the board took various decisions – such as decisions on investment plans, on the dividend to be proposed to the AGM, on the proposed guidelines for remuneration of senior executives and decisions concerning the financial reports.</p> <p>At the board meeting held in January 2020 the board of directors decided that H&amp;M's growth target to increase sales in local currencies by 10–15 percent per year with continued high profitability remains a longterm target.</p>

### 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 Incentivized	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. Short-term variable remuneration: Fulfilment of targets shall be measured over a period of one year. The short-term variable remuneration shall be based on fulfilment of targets in the following areas: — The H&M group's total sales — The H&M group's total operating profit — Fulfilment of the objectives in the various areas of the business plan, which include sustainability and — Assessment of leadership and compliance with values.

## 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 goal on 30% recycled material has a target year of 2025.
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 2020 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. During 2020 an updated assessment based on TCFD recommendations will be performed to assess risks post covid.

#### 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.

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## 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&M's 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&M's 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
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**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)**

&lt;Not Applicable&gt;

**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
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**Primary potential financial impact**

Decreased revenues due to reduced production capacity

**Climate risk type mapped to traditional financial services industry risk classification**

&lt;Not Applicable&gt;

**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)**

&lt;Not Applicable&gt;

**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
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**Primary potential financial impact**

Decreased revenues due to reduced production capacity

**Climate risk type mapped to traditional financial services industry risk classification**

&lt;Not Applicable&gt;

**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)**

&lt;Not Applicable&gt;

**Potential financial impact figure – minimum (currency)**

50000000

**Potential financial impact figure – maximum (currency)**

70000000

**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
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**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 its 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. Opportunities 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 want 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**

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C2.4

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**(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

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**(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

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**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)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**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&amp;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)**

500000000

**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. Therefore 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 exemplified 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**

**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) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?**

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	No, but we intend it to become a scheduled resolution item within the next two years	Sustainability is on in every part of our core business and we aim for a leadership position within the industry. We dont see it as a separate item. Integrated reporting will improve the level of sustainability reporting with clearer reporting towards investors and other stakeholders. Parts of this improved reporting is already in place with our Sustainability-linked bond that requires yearly, third-party verified reporting on progress.

**C3.2**

**(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?**

Yes, qualitative and quantitative

**C3.2a**

**(C3.2a) Provide details of your organization's use of climate-related scenario analysis.**

Climate-related scenarios and models applied	Details
RCP 2.6 Other, please specify (A tool that we call "Climate positive roadmap"-tool that will forecast mitigation possibilities and connect it to financial cost.)	<p>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&amp;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&amp;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&amp;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. For example, virgin cotton will become more expensive, less accessible and more controversial giving both financial and reputational risk.</p> <p>This and other reasons, made us take the decision to create a new business unit focusing on emission reduction, having CO2e emissions as their ROI. They are given a yearly budget in comparison to our value of purchased goods. They calculate business cases, draw up scenarios for investments both in CAPEX and OPEX throughout our supply chain. Our majority of impact has and will come from the supply chain where currently more than 70% of our emissions occur. However, they will also support our own operations where applicable.</p> <p>The summary results are also relevant to H&amp;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. For example, customers might consider changing their consumption patterns away from fashion due to poor reputation of our industry from a climate perspective. By beating our competitors to more climate resilient products, we can have a positive outcome.</p> <p>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. We have also developed our own tool for climate action impact/prioritisation and mitigation. This is being used as foundation for investment decisions and strategic directions.</p>

**(C3.3) 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. We consider it a high priority to become and to be seen as a part of the solution instead of being a part of the problem. Not only for keeping the customers trust in us, but also securing the ability to continue to financially grow, secure supplies and raw materials among other reasons.
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, a majority 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 business unit within H&M group that works to take an outside-in perspective on our business and challenge our thinking. They actively support the development and implementation of new materials into our products.
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%.

**(C3.4) 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	<p>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.</p> <p>The global climate-related energy transition has influenced our financial planning in terms of our operating costs. Increasing energy prices has led to H&amp;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).</p> <p>Our long-term planning for capital allocation has been influenced in that we have implemented an internal carbon pricing tool with the scope of material, production and mode of transport. We have issued a sustainability-linked bond for 500 MEUR, connecting our sustainability targets to financial commitment. This entails improved and third-party verified emission reporting. We will separately from the yearly sustainability report also report on our bond goals in a pre-defined framework.</p> <p>We have also opened up for issuing new bonds connected to sustainability related activities. This will be an important part of our financing going forward.</p> <p>We have also created a business unit that has the purpose of delivering CO2 reductions.</p> <p>The "Green Investment Team" works on a yearly budget decided by the value of our purchased goods. They will seek, setup and support projects aiming to lower emission throughout our value chain, mitigate climate risk and create a more resilient supply chain.</p> <p>They will support functions or brands to kick-start green projects, support with green funds to accelerate emission reduction time in already existing green projects.</p> <p>Thereby changing the trajectory or the pace of the transition towards carbon law or 50% reduction per decade.</p> <p>They will continuously evaluate and prioritize projects and investments that has a relevant ROI in the means of reduced CO2e emissions.</p> <p>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&amp;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&amp;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.</p>

**(C3.4a) 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

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### C4.1

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

Both absolute and intensity targets

### C4.1a

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#### (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 (%)**

75

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

4574250

**Covered emissions in reporting year (metric tons CO2e)**

17387061

**% of target achieved [auto-calculated]**

6.63087937913319

**Target status in reporting year**

Underway

**Is this a science-based target?**

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

**Target ambition**

1.5°C aligned

**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 emits. Balancing high quality removals to our residual emissions. 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, carbon-sinks, nature-based solutions, regenerative agriculture and relates 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. Despite our best efforts, we recognise that there will still be unavoidable emissions in our value chain. To 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. 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. 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. We will also take into consideration the updated framework from SBTi and adjust our goals to their net-zero requirements.

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**Target reference number**

Abs 2

**Year target was set**

2018

**Target coverage**

Company-wide

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**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)**

72508

**% of target achieved [auto-calculated]**

-34.6129690689276

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, and this target has been approved by the Science-Based Targets initiative

**Target ambition**

Well-below 2°C aligned

**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.

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C4.1b

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**(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)**

0.00417254

**% 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]**

0.0017107414

**% 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)**

0.00419868

**% of target achieved [auto-calculated]**

-1.0618252849766

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, and this target has been approved by the Science Based Targets initiative

**Target ambition**

Well-below 2°C aligned

**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.

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**C4.2**

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

No other climate-related targets

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**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

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**C4.3a**

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**(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		
To be implemented*		
Implementation commenced*		
Implemented*	2	30725
Not to be implemented		

**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 production processes	Process optimization
---	----------------------

**Estimated annual CO2e savings (metric tonnes CO2e)**

30725

**Scope(s)**

Scope 3

**Voluntary/Mandatory**

Voluntary

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

24493611

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

75494698

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

These are not two projects. 86 factories has contributed to this.

**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 implementing and evaluating Carbon Pricing as mechanism to support in understanding, measuring and reducing our emissions by raising awareness and operationalizing them. The tool takes in to consideration about 70% of our emission as of now. We are looking at how to develop it further and reach either a wider scope and improved quality of data and include more areas. We believe strongly in the tool such as, but it needs to be adjusted in its purpose for different functions.
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.
Dedicated budget for energy efficiency	With over 4,900 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**

0

**% of total portfolio value**

<Not Applicable>

**Asset classes/ product types**

<Not Applicable>

**Comment**

We do not disclose these revenue as of yet.

In 2020, 64,5% of the materials used by H&M group included recycled or other sustainably sourced materials (around 5,8% recycled). • In 2020, we used the equivalent of over 1114 million plastic PET bottles in recycled polyester. 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.

---

**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**

0

**% of total portfolio value**

<Not Applicable>

**Asset classes/ product types**

<Not Applicable>

**Comment**

We do not disclose these revenue as of yet. H&M now uses 100% sustainable cotton (recycled, BCI and organic).

---

**Level of aggregation**

Company-wide

**Description of product/Group of products**

30% of all materials in commercial goods to come from recycled materials by 2025.

**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**

0

**% of total portfolio value**

<Not Applicable>

**Asset classes/ product types**

<Not Applicable>

**Comment**

We do not disclose these revenue as of yet. In 2020 we had 5,8% recycled.

---

**C5. Emissions methodology**

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**C5.1**

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**(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**

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**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)**

11973

**Start date**

December 1 2019

**End date**

November 30 2020

**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**

564552

**Scope 2, market-based (if applicable)**

60607

**Start date**

December 1 2019

**End date**

November 30 2020

**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**

14319648

**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, 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 have any emissions stemming from capital goods, and this category is therefore deemed not relevant.

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

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

10554

### 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&Ms own data sources.

## Upstream transportation and distribution

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

477840

### 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&Ms own data sources.

## Waste generated in operations

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

3930

### 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 made using H&Ms own data sources

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

48836

### 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 made using H&Ms own data sources

## Employee commuting

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

44566

### 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 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 have any emissions stemming from upstream leased assets, and this category is therefore deemed 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

Emissions from processing of sold products are not relevant to our business model and this category is therefore deemed not relevant.

## Use of sold products

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

2322213

### 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 made using H&Ms own data sources

## End of life treatment of sold products

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

96931

### 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 made using H&Ms own data sources

## 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 any emissions stemming from downstream leased assets, and this category is therefore deemed not relevant.

## Franchises

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

62542

### 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 made using H&Ms own data sources

## 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

Emissions from investments are not of any relevant size yet and therefore deemed not relevant. We foresee that this will change in a couple of years since our investments in climate related areas will increase.

## Other (upstream)

### 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

Not applicable



**Other (downstream)**

**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**

Not applicable

C6.7

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**(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?**

No

C6.10

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**(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**

0.39

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

72580

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

187031

**Scope 2 figure used**

Market-based

**% change from previous year**

37

**Direction of change**

Increased

**Reason for change**

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C7. Emissions breakdowns

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C7.1

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

Yes

C7.1a

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**(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	11866	IPCC Fifth Assessment Report (AR5 – 100 year)
CH4	16	IPCC Fifth Assessment Report (AR5 – 100 year)
N2O	91	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)	11973

**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	11226
Other	747

**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	4300	0	51019	51019
Other, please specify (Rest of the world)	560252	60607	1381697	1246643

**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	1371	412
Warehouses	42546	2727
Production offices	1753	659
Sales/stores	518882	56809

**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	27211	Increased	44.3	This increase is because we aligned our sourcing of renewable electricity with the new RE100's market boundary criteria. The total S1 and S2 emissions in 2019 were 61 462 tCO2e. Renewable energy certificate sourcing change led to an increase of 27 211 tCO2e. The percentage increase was found with the following calculation: (27 211/61 462)*100= 44,3%.
Other emissions reduction activities	9099	Decreased	14.8	We have decreased electricity intensity in our stores per square meter per opening hour by 7%, however due to stores being closed due to the covid restrictions in certain areas we see a decrease in electricity consumption by -14,8%. The total S1 and S2 emissions in 2019 were 61 462 tCO2e. Emission reduction initiatives led to a decrease of 9 099 tCO2e. The percentage decrease was found with the following calculation: (9 099/61 462)*100=-14,8%.
Divestment	0	No change	0	N/A
Acquisitions	0	No change	0	N/A
Mergers	0	No change	0	N/A
Change in output	0	No change	0	N/A
Change in methodology		<Not Applicable >		N/A
Change in boundary	0	No change	0	N/A
Change in physical operating conditions	433	Increased	0.71	We have used more district heating (2 280 CO2 tons) and fuel (141 CO2 tons) to produce heating but decreased natural gas (-1 988CO2 tons). The total S1 and S2 emissions in 2019 were 61 462 tCO2e. Change in physical operating conditions led to an increase of 433tCO2e. The percentage increase was found with the following calculation: (433/61462)*100=0,71%.
Unidentified	0	No change	0	N/A
Other	0	No change	0	N/A

**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	60918	60918
Consumption of purchased or acquired electricity	<Not Applicable>	1246643	135053	1381697
Consumption of purchased or acquired heat	<Not Applicable>	56719	0	59719
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>	485	<Not Applicable>	485
Total energy consumption	<Not Applicable>	1306363	195971	1502334

**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**

2765

**MWh fuel consumed for self-generation of electricity**

2765

**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 CO2 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**

58093

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

58093

**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	3743	3310	918	485
Heat	59719	59719	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

**C8.2e**

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**(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 & Solar)

**Country/area of consumption of low-carbon electricity, heat, steam or cooling**

Please select

**MWh consumed accounted for at a zero emission factor**

1246643

**Comment**

We purchase RE centrally for our global consumption. (not able to choose "Other" in drop-list above as last year.

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 committed 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**

Third party verification/assurance underway

**Attach the statement**

HM-Group-Sustainability-Performance-Report-2020.pdf

**Page/ section reference**

Auditors report, Page 82-83

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

99

**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 market-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Third party verification/assurance underway

**Attach the statement**

HM-Group-Sustainability-Performance-Report-2020.pdf

**Page/ section reference**

Auditors report, Page 82-83

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

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### C10.1c

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(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**

Third party verification/ assurance underway

**Attach the statement**

HM-Group-Sustainability-Performance-Report-2020.pdf

**Page/section reference**

Auditors report, Page 82-83

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

2

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**Scope 3 category**

Scope 3: Downstream transportation and distribution

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Third party verification/ assurance underway

**Attach the statement**

HM-Group-Sustainability-Performance-Report-2020.pdf

**Page/section reference**

Auditors report, Page 82-83

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

1

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### C10.2

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(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

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## C11. Carbon pricing

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### C11.1

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**(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

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**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

### C11.3

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

Yes

### C11.3a

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

**Objective for implementing an internal carbon price**

Change internal behavior  
Drive energy efficiency  
Drive low-carbon investment  
Stress test investments  
Identify and seize low-carbon opportunities  
Supplier engagement

**GHG Scope**

Scope 3

**Application**

H&M is using carbon pricing with the purpose of steering away from fossil fuel based materials, facilities and transport.

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

**Variance of price(s) used**

**Type of internal carbon price**

Internal fee

**Impact & implication**

A price on carbon emissions is added to our cost structure and impacting the margin of our garments. The yearly budget will be used for investments in projects and activities to lower our value chain emissions.

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## C12. Engagement

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### C12.1

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**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers  
Yes, our customers  
Yes, other partners in the value chain

### C12.1a

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

**Type of engagement**

Engagement & incentivization (changing supplier behavior)

**Details of engagement**

Climate change performance is featured in supplier awards scheme  
Offer financial incentives for suppliers who reduce your operational emissions (Scopes 1 &2)

**% of suppliers by number**

99

**% total procurement spend (direct and indirect)**

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

**Rationale for the coverage of your engagement**

We have full transparency and ability to impact tier 1. Ability for measurements is lower deeper down in supply chain.

**Impact of engagement, including measures of success**

**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**

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

**Portfolio coverage (total or outstanding)**

<Not Applicable>

**Please explain the rationale for selecting this group of customers and scope of engagement**

Trying to impact the customers behaviour mainly through washing and caring for our garments in a better way.

**Impact of engagement, including measures of success**

**C12.1d**

**(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.**

We try to impact all business partners in a positive way. First and most importantly, it is important to be clear about the journey we are and if a company wants to work with us long-term they need to have clear climate ambitions depending on their industry.

**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 contiously updated on 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).

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.

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	Strategy lead	Environment/Sustainability manager

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	187000000000

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
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SC1.4

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

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

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, I will submit the Supply Chain questions now

Please confirm below

I have read and accept the applicable Terms