

How we report

The Sustainability Disclosure is our annual sustainability performance report. It shares our sustainability strategy, policies and processes, initiatives, goals and performance data for the global group operations of H & M Hennes & Mauritz AB (called H&M Group in the report).

Our 2023 reporting comprises H&M Group brands (H&M — which includes H&M HOME, H&M Move and H&M Beauty — and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories, ARKET, Afound and Singular Society), as well as subsidiaries that are either wholly or partially owned during the financial year from 1 December 2022 to 30 November 2023, unless stated otherwise. Find a full list of entities in our Annual and Sustainability Report 2023.

We are increasingly integrating our financial and sustainability reporting in line with developing sustainability disclosure requirements. The Sustainability Disclosure complements our Annual and Sustainability Report, which covers corporate governance and both financial and sustainability results. Web content and reporting indexes offer additional information, including how we report.

Our website and Annual and Sustainability Report offer more information on our material issues. This includes our process for identifying, prioritising and reviewing our most material topics. We are further developing this process to align our approach with the Corporate Sustainability Reporting Directive (CSRD).

To ensure we are using the best available data, we continuously improve how we calculate and compare our scope 1, 2 and 3 emissions data. Read more below about how we calculate our emissions.

External frameworks & standards

- **Global Reporting Initiative (GRI):** We report according to the current GRI Standards. Download our GRI index.
- **UN Guiding Principles (UNGP) Reporting Framework:** We were one of the first companies to report on human rights in line with the UNGP Reporting Framework in 2015. We regularly evaluate salient human rights issues in our materiality assessment.
- **Task Force on Climate-related Financial Disclosures (TCFD):** Our climate risk analysis follows the TCFD recommendations. Read more in our Annual and Sustainability Report.
- **UN Global Compact and CEO Water Mandate:** We are signatories to the UN Global Compact. Our annual sustainability reporting serves as our Communication on Progress for the UN Global Compact and CEO Water Mandate, and we disclose via the UN Global Compact digital reporting system. See our latest Communication on Progress.
- **Modern Slavery Act:** We report in accordance with the UK Modern Slavery Act and the Australian Modern Slavery Act 2018 (Cth), as well as the new Canadian Supply Chains Act. See our Modern Slavery Statement.
- **Corporate Sustainability Reporting Directive (CSRD):** We welcome the CSRD, which requires companies report according to the European Sustainability Reporting Standards (ESRS). We are preparing to comply, for example by integrating more sustainability content into our Annual and Sustainability Report and strengthening our materiality assessment process.

We report in line with relevant legislation, including evolving human rights and due diligence policies developed by the European Union, Germany, Norway and the UK.

Updated climate data & calculation methods

We follow the GHG Protocol Corporate Accounting and Reporting Standard, using an operational control approach. Most of the GHG emissions connected to our business operations and our value chain are carbon dioxide (CO₂) from the combustion of fossil fuels to generate heat, electricity, or transport goods. However, we also include methane (CH₄), nitrous oxide (N₂O) and some man-made gases such as hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). The total warming effects of these gases are measured in carbon dioxide equivalent (CO₂e). Effects of the non- CO₂ gases are recalculated to the same warming effects as CO₂ – about 28 times for methane, and 265 times for nitrous oxide (GWP100, IPCC AR5).

Under the GHG Protocol, emissions are divided into three scopes, outlined below. Emissions of biogenic CO₂, carbon dioxide that is part of the natural carbon-cycle such as crop residues, are not accounted for under any scope.

At H&M Group, we do not use carbon offsets or compensation to reduce our emissions.

To ensure robustness and credibility of our methods and data, auditors perform a limited assurance of our scope 1 and 2 emissions, as well as some scope 3 emissions – transportation, materials, fabric production and garment manufacturing. We aim to include additional emission sources from scope 3 in this assurance in the future.

Scope 1

Scope 1 emissions are direct emissions from our own operations: primarily from on-site fuel-use, company cars and other vehicles, as well as refrigerants leaking from cooling systems.

We calculate emissions related to our stores and warehouses by multiplying the amount of fuel used by emission factors for each fuel type. For company cars we use a per-kilometer emission value per fuel type to calculate the emissions, and for refrigerants we estimate an average annual impact based on the total square-meterage of our stores, offices and warehouses.

Scope 2

Scope 2 emissions are indirect emissions from purchased electricity, heat or steam connected to our own operations. Primarily they come from electricity use and district heating in stores, warehouses and offices.

We use the market-based approach in our accounting, which means that we calculate emissions based on the tracking of environmental attributes of the energy purchased, such as electricity certificates for renewable electricity. In our Sustainability Disclosure, we also report emissions using the location-based method where only the country, or grid's, total production mix is taken into account. Read more about these accounting methods in the GHG Protocol Corporate Accounting and Reporting Standard.

To calculate market-based scope 2 emissions, we multiply the amount of purchased energy of each type used in our stores, offices and warehouses by relevant emission factors for

each energy type. In 2023, we purchased renewable electricity for 94% of our own operations using a variety of certification schemes. We have signed power purchase agreements (PPAs) for several solar parks, located in the UK and Spain, and in 2022 we signed Sweden's largest solar PPA to provide us with renewable electricity.

Scope 3

Scope 3 emissions are all other indirect emissions from our entire value chain beyond our own operations. For example, cultivation of raw materials such as cotton, production, fabric dyeing, transports to warehouses and stores, customer washing and drying, and end of life. For us these emissions make up the majority of our total, about 99% when using the market-based approach for scope 2.

Garment goods

- **Raw materials**
This includes emissions from production and processing of fibres such as cotton, viscose and polyester. All materials are included. We calculate emissions by multiplying the weight of each material by the relevant emission factor in the HIGG MSI database. This is often referred to as tier 4.
- **Fabric production and garment manufacturing**
Fabric production, often referred to as tier 2 and 3, includes emissions from the fabric production processes, such as spinning, weaving, and knitting, as well as dyeing and other treatment processes. Garment manufacturing, or tier 1, is when the fabric is converted into a finished product through cutting, stitching, processing and finishing. All fabrics and garment manufacturing is included in our emissions reporting.

During 2023 we made significant improvements to the way we calculate our fabric and garment manufacturing emissions. First we determine the expected energy consumption. We use our internal order data to ascertain type of product and processes, Higg databases for the energy requirements of these processes, and independently verified energy consumption data from our suppliers for the energy mix. This expected energy consumption is combined with the climate impact of the energy mix to calculate the emissions from each product. When a process cannot be linked to a specific facility, we use country-specific assumptions based on the local electricity grid.

The improved model and data quality will support us to improve how we steer our business to reduce our climate impact, and enable us to better capture the outcomes of specific investments and initiatives. Read more in our 2023 Sustainability Disclosure on these individual improvements, and the impact of these on our results.

When we make changes to our methods, models or data-sources, we always update data for all years up to and including our base year. We do not claim these changes as emission reductions, and they will not affect our 2030 and 2040 targets.

Non-garment goods

This includes all emissions from raw material sourcing through to product manufacturing from non-garment commercial products within our assortment. For example, H&M HOME interiors, cosmetics, accessories, footwear and toys. Manufacturing emissions are calculated by multiplying ordered pieces with average emission per piece per production unit. Where it is not possible to match order data with supplier data, a fallback method is used based on average emissions for production country and type of non-garment production group. Raw material and processing emissions are calculated using product weights combined with HIGG MSI data for the relevant materials.

Transport

Upstream transport between suppliers, e.g. yarn spinner to fabric producer, are included in emission factors for materials, and therefore not in the transport category. Transport covers all emissions connected to transportation of products to our warehouses, internal line haul within our warehouse network and delivery to customers and stores.

- For transport to our warehouses
Emissions related to transportation are calculated by identifying how far goods have travelled per mode of transport (sea, rail, road, air) multiplied by relevant emission factors for each mode of transport. The calculation methodology uses a stepwise approach, combining multiple internal data sources. For road transports from port to warehouse, the method described below is used.
- For road transport from our warehouses to stores, internal line-haul between warehouses, from port to warehouse and for customer deliveries
Emissions from road-transport are calculated by collecting fuel consumption data from carriers multiplied by relevant emissions factor per fuel type. A few of our carriers report emissions based on their own calculations, using the same methodology as H&M Group. Transportation by air, ocean and rail is calculated based on weight and distance of goods transported, multiplied by relevant emission factor for each mode of transport.

Packaging

Packaging emissions relate mostly to the raw materials, process energy and transport used during the production of the packaging we use. To calculate these emissions we use material weights for packaging materials, combined with emission factors from the HIGG MSI database.

This method was developed and introduced during 2023. It has increased the accuracy of our emissions calculations including capturing historical improvements such as lowering our dependency on plastics in packaging material. We have updated all years up to and including our base year to reflect this. We do not claim these method changes as emission reductions, and they will not affect our 2030 and 2040 targets.

Use of sold products

These emissions come from the customer use phase, including energy used for washing, drying and ironing the bought products. To calculate this, we take the total amount of

products sold in each product category and geographical area during the reporting period and apply use-phase factors to calculate total energy consumption. Then we apply a local geographical energy emission factor to sum up the total emissions from the energy consumption.

End of life – sold products

This category covers the emissions that arise when customers stop using our products. We estimate the share of the total produced weight that is re-worn, reused, recycled, incinerated, or disposed of in landfills. These estimates are based on our garment collecting partner's data and industry end-of-life estimation models. Each of these end-of-life scenarios are then combined with an emission factor for the relevant waste management practice.

Other expenditures, and other emissions

In addition to the categories described above, there are emissions related to a number of other activities. For example, items that are used in our operations like hangers, visual merchandising used in our stores, IT equipment, business travel, investments, our franchise partnerships and employee commuting.

To calculate emissions across these categories we have used different approaches depending on data availability. For some activities we used a spend-based method and multiplied the spend on each activity with a relevant emission factor. For the rest we used an average data method and multiplied amounts of activity data (such as km driven) by average emission factors for those activities.

Excluded categories

The following scope 3 categories are not included in our GHG inventory, as there are no significant emission sources within these, or they do not apply to our business (numbers reflect the GHG-Protocol scope 3 categories):

- 2. Capital goods
- 8. Upstream leased assets
- 10. Processing of sold products
- 13. Downstream leased assets

This is continuously evaluated as the business changes.

Improving our method & data

Improving the accuracy of our emissions data is ongoing. During 2023, these improvements led to some alterations in our reported emissions for previous years. Most notably, in scope 3 emissions and reductions for our science-based targets.

In our 2022 Sustainability Disclosure the reduction was reported as -7% compared to 2019. After updates to the method described above, it was reported as -15% compared to 2019 in our 2023 Sustainability Disclosure.

The absolute scope 3 emissions for 2022 excluding use phase, was reported as 5 651 kilotonnes CO₂e in the 2022 report. This is updated to 7 498 kilotonnes CO₂e in the 2023 report for the 2022 result.

In 2023, we moved Sellpy's scope 1 and 2 emissions from the scope 3 investments category into H&M Group's scope 1 and 2 category.

Improving our data and calculation methods is crucial for us to track the actions we take to reduce our emissions.

Whenever we make a change to our methods or data sources, we update our base-year data to reflect it. We never claim these changes as emission reductions and they will not affect our 2030 and 2040 targets.

How we report social impact

We work closely with our business partners around the world to make sure we produce affordable, quality products that meet our environmental and social standards.

Our designs are produced by suppliers that are not owned by us. Therefore, it's essential we work towards the same ambitions and have the same mindset to ensure compliance with our standards, drive performance and achieve impact.

Through our Sustainable Impact Partnership Programme (SIPP) we support our business partners to raise their environmental and social performance. We reward high-achieving and responsible suppliers with training opportunities and long-term contracts. We want each supplier to take ownership of their sustainability agenda to drive environmental and social progress through their business and across our whole industry.

Suppliers working with one of our brands must sign our Sustainability Commitment. This summarises the areas we work on to make our supply chain more sustainable. It covers transparency and collaboration, supply chain due diligence, impact on people and the environment.

SIPP assesses our suppliers' performance and their level of compliance with our Sustainability Commitment. The main components include minimum requirements verification, self-assessment, verification, capacity building, grievance mechanisms and workers voice, dealing with incidents and violations.



Minimum requirements

Before starting any relationship with a supplier, we conduct a minimum requirement assessment. All suppliers must pass this assessment before we place an order with them. We then conduct regular follow up assessments to ensure our minimum requirements continue to be met.

Self-assessment

Through self-assessment our suppliers report annual performance data and management system indicators, which helps us to understand their readiness and resilience.

We support industry-wide collaboration tools that avoid duplication and promote transparency. This is why we use the [Higg](#) facility tools, developed by [Cascale](#) (previously named Sustainable Apparel Coalition's - SAC), to assess performance and management systems in SIPP.

We were one of the first brands to incorporate both the Facility Environmental Module ([FEM](#)) and the Facility Social Labour Module ([FSLM](#)) into our supply chain sustainability programme. Today 100% of the manufacturing factories making our fashion and shoes are covered under SIPP, and over 400 processing factories and fabric mills report their performance in FEM.

Read more about [Cascale](#) and the [Higg Index](#).

Verification

Our suppliers conduct a self-assessment using FEM and FSLM, which is then verified by a Cascale-approved third party. This ensures that all parts of the modules are accurately completed and assures credibility.

The latest verified submission is used if a supplier has submitted verified modules in the last twelve months. Exception is the Facility Profile section where the most up to-date facility information will be used.

The FSLM helps manufacturers, brands, and retailers understand the social and labor impacts of their value chain, reduce audit fatigue, and make proactive improvements.

The Higg FSLM Facility Social & Labor Module (FSLM) uses the Social & Labor Convergence Program (SLCP) assessment tool and process, meaning that all questions asked are the questions from the SLCP Data Collection Tool and the verification process followed is according to the rules in the SLCP verification protocol. Higg FSLM is an [Accredited Host](#), which means they enable the SLCP assessment process on their platform and provide additional data analytics and sharing services to users such as brands, standard holders, and manufacturers.

Read more about [SLCP](#) and its connection with [FSLM](#).

To see more information on the verification processes for FEM please refer to the [FEM Verification Protocol](#).

In the table below, the participation and verification share of supplier factories included in FEM/FSLM are summarized for comparison over the years.

Supplier Factories Participation and verification in FEM/FSLM	2021	2022	2023
Tier 1 supplier factories participating in FEM (number and %)	894	858	744 (70%)
Tier 1 third party verifications for FEM (and % of those participating)	878 (98%)	849 (99%)	728 (98%)
Tier 2 supplier factories participating in FEM (number and %)	337	509	530, (56%)
Tier 2 third party verifications for FEM (and % of those participating)	329 (98%)	505 (99%)	519 (98%)
Tier 1 supplier factories participating in FSLM (number and %)	883	843 (66%)	876 (68%)
Tier 2 supplier factories participating in FSLM (number and %)	332	501 (52%)	442 (61%)
Tier 1 third-party verifications for FSLM	850 (96%)	843 (100%)	790 (90%)

(and % of those participating)			
Tier 2 third-party verifications for FSLM	311 (94%)	501 (100%)	415 (94%)
(and % of those participating)			

For more information on the definition of tier 1 and 2 factories in our production supply chain visit our [supply chain page](#) on our website.

Only suppliers that we are actively working with and whose sustainability grading is approved are included in Higg reporting scope. For the suppliers not included, please see the below section “How we work with factories outside the Higg scope”.

Note that factories operating in countries with Better Work Presence and factories wishing to enrol in Better Work for the purposes of data sharing via SLCP will be able to do so according to the agreed rollout schedule in each Better Work country. In such cases, they should indicate their preference in the Better Work Supplier Portal. Read more about [Better Work](#).

Facilities that are enrolled in the Better Work programme can complete a Better Work assessment and share their data through the SLCP Gateway.

In Cambodia all our factories are part of Better Factories Cambodia (BFC). BFC conducts regular workplace assessments of exporting garment factories, using checklists and criteria that determine compliance with the Cambodian Labour Law and the ILO’s core conventions.

Factories completing only the Better Work assessments are excluded from the FSLM verifications shares presented in the table “Supplier Factories Participation and verification in FEM/FSLM”, which include only factories where verification is finalized.

Capacity building

Verified assessments, including annual surveys, regular performance data and Cascale tools, are used to identify supplier compliance, impacts, risks, strengths and weaknesses. This information then supports our suppliers to set focus areas and goals for improvement.

Depending on our strategic priorities, we provide support through capacity-building workshops, training and management system analysis. We take a holistic approach to continuous improvement at our suppliers, which includes quality and other business indicators as well as sustainability performance. We encourage our suppliers to develop their own strategies and solutions to challenges, as well as providing incentives to shift impacts from negative to positive.

Grievance mechanisms and worker voice

It is important to us that workers can report concerns and have their voices heard. Depending on a supplier's level of risk or case history, we may require or recommend a factory to invest in a digital grievance mechanism.

Dealing with incidents and violations

Our approach to a report of noncompliance depends on the severity of the violation. We may issue a letter of concern and a corrective action plan, and engage with suppliers and affected stakeholders on remediation actions, including training or changes to policies and processes. In cases of severe noncompliance or if a supplier does not respond to remedial actions, we may end business the relationship.

How we work with factories outside the Higg scope

We take a risk-based approach to monitoring our business partners' compliance and apply different levels and methods of evaluation depending on the nature of the goods and services provided. Facilities outside of the Higg Index scope are:

- Small facilities with less than 25 workers, without the resources to fill in extensive Higg modules.
- Newly constructed facilities that do not yet have a year of data for verification.
- Facilities with low business, unable to cover the costs of Higg modules and verification.

All these facilities are covered by annual minimum requirement assessments, performed either by our internal team or by a certified third party. After several years where routines were disrupted due to COVID-19 lockdowns, we prioritised on-site unannounced visits to all our approved factories to conduct minimum requirement assessments.

We have now changed our monitoring routine from 100% third-party verifications to include more regular minimum requirement assessments by our staff.