

# H&M Group

## Green Bond Report 2023



## Allocation report

This is the report referred to in chapter 4 of H&M Group Green Finance Framework (the Framework), available at <https://hmgroup.com/investors/sustainable-finance/>.

The Eligible Green Project Portfolio represents a selection of investments in projects that meet the Eligibility Criteria as defined in the Green Finance Framework. The Eligible Green Project Portfolio does not constitute a complete inventory of investments that meet the Eligibility Criteria.

The Eligible Green Project Portfolio has been approved by H&M Group's Green Finance Committee on 25 April 2024 in accordance with chapter 2 of the Framework.

Portfolio date: 30 November 2023

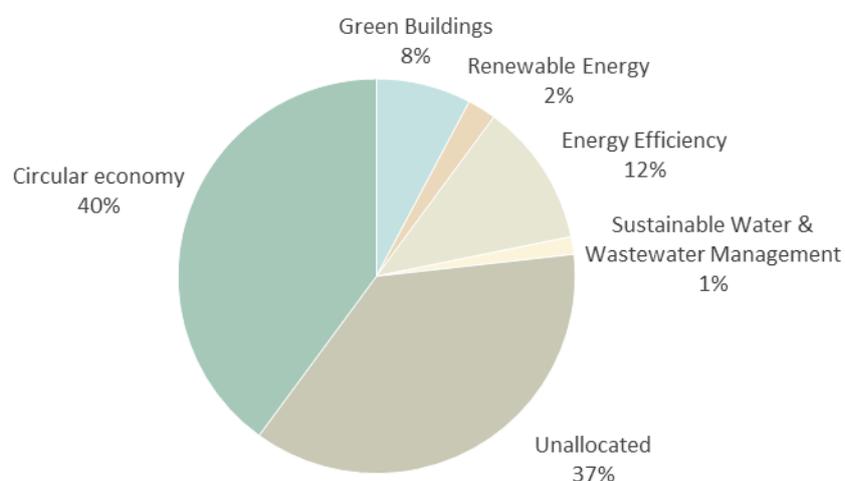
Use of proceeds per Eligible Green Project category	
Eligible Green Project category	Amount (EURm)
Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products	199
<i>- of which cost of recycled materials<sup>1</sup></i>	75
Green buildings	39
Renewable energy	12
Energy efficiency	59
Sustainable water and wastewater management	7
<b>Total Eligible Green Project Portfolio</b>	<b>316</b>

<sup>1</sup> Capped at 15% of bond proceeds

Outstanding Green Finance Instruments				
Instrument (ISIN)	Issuance Date	Due Date	Coupon	Amount (EURm)
XS2704918478	Oct - 23	Oct - 31	4,875%	500
<b>Total Green Finance Instruments Outstanding</b>				<b>500</b>

The percentage of net proceeds of Green Finance Instruments allocated to the Eligible Green Project Portfolio: 63%. The remainder of the proceeds of the green bond will be allocated by 23 October 2025.

Allocation of net proceeds per Eligible Green Project Category:



Financing of eligible green projects added in 2023 (amount EURm): 213

Refinancing of eligible projects before 2023 (amount EURm): 103

## **Examples of projects in the Eligible Green Project portfolio**

### **Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products**

- Capital expenditures in garment handling machinery enabling warehouse operations without single use polybags.
- Capital expenditures for the resell platform Sellpy.
- Equity investment in Syre, a joint venture with Vargas Holding to rapidly scale textile to textile recycled polyester yarn with the same qualities as virgin polyester.
- Equity investment in TreetoTextile – a regenerated cellulosic fibre produced from renewable and sustainably sourced raw materials from the forest.
- Cost of textile to textile recycled polyester in commercial goods.

### **Green buildings**

- A share of H&M Group's portfolio of warehouse- and office buildings with LEED Gold or LEED Platinum certification.

### **Renewable energy, energy efficiency and sustainable water and wastewater management**

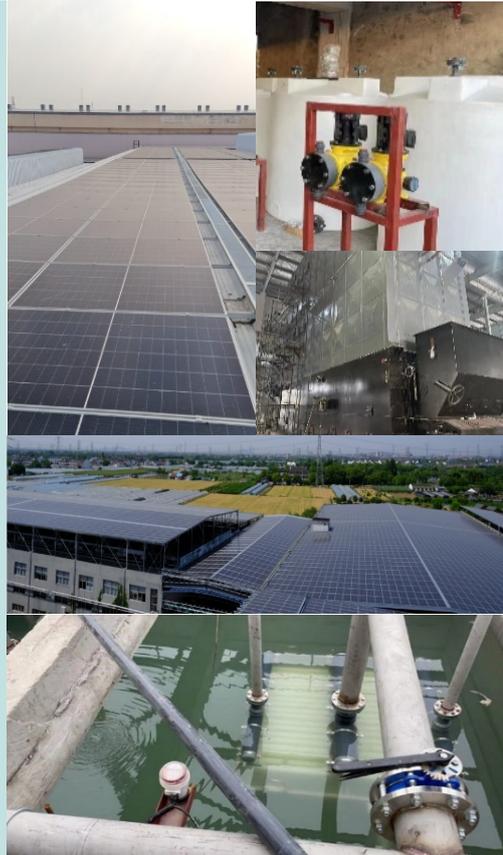
- Capital expenditures to reduce energy consumption and increase renewable energy in H&M Group's stores, offices and warehouses.
- Cost of H&M Group's inhouse energy expert teams, performing on-site energy audits in suppliers' factories free of charge to help identify opportunities to reduce energy demand and replace fossil fuels.
- Loans to suppliers for capital expenditures to reduce energy and water demand and replace fossil fuels in supplying factories.

## Project example

### Green Fashion Initiative

H&M Group's Green Fashion Initiative (GFI) makes funding available to suppliers' factories to invest in technologies and processes that reduce energy demand and replace fossil fuels. With support from GFI, a knitting manufacturer in Bangladesh, implemented solar PV and energy efficiency measures such as heat recovery technology, VFD compressors and more efficient dyeing machines. A garment manufacturer in mainland China installed solar PV and water recycling system significantly reducing the factory's carbon intensity and thereby its environmental impact.

Since the program's launch in January 2022, GFI has financed 17 projects focusing on several aspects of decarbonisation, including solar installation, energy efficiency, coal phase-outs and electrification. These initiatives have the potential to reduce approximately 50,000 tonnes of CO<sub>2</sub>e annually within H&M Group's supply chain, with an additional reduction of approximately 120,000 tonnes beyond our supply chain.



## Project examples

### Innovative & recycled materials

In 2023, H&M started scaling textile to textile recycled polyester in its products. Our other brands COS, & Other stories and ARKET also launched their textile to textile polyester collections this year.

& Other Stories launched eight denim styles using 100% recycled cotton. ARKET released seven products using 100% recycled cotton.

H&M Group financially supported the building of TreeToTextile's plant in Nymölla. The first fibre has been produced in the plant. This means that the process has been tested all the way though fibre spinning, avivage, drying, and cutting into staple fibre for the first time, marking a major milestone. H&M Group is participating in trials with TreeToTextile to optimise the spinning of several blends and qualities of yarn together with supply chain partners.





## Auditor's assurance report on Green Bond Allocation report

To H & M Hennes & Mauritz AB, corporate identity number 556042-7220

### Introduction

We have been engaged by the Executive Management of H & M Hennes & Mauritz AB (H&M Group) to perform a limited assurance engagement on the Green Bond Allocation Report for 2023 (Reporting) set out on page 2-4 in H&M Group Green Bond Report 2023.

### Responsibilities of the Executive Management

H&M Group Executive Management is responsible for the preparation of the Reporting in accordance with the applicable criteria, as explained in the H&M Group Green Finance Framework dated August 2023 (available at <https://hmgroupp.com/investors/sustainable-finance/>) as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of the Reporting that is free from material misstatements, whether due to fraud or error.

### Responsibilities of the auditor

Our responsibility is to express a conclusion on the Reporting based on the limited assurance procedures we have performed. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Reporting, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of H&M Group in accordance with professional ethics for

accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by H&M Group Executive Management as described above. We consider these criteria suitable for the preparation of the Reporting.

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

## **Conclusion**

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Reporting for the year 2023, is not prepared, in all material respects, in accordance with the applicable criteria, as explained in the H&M Group Green Finance Framework.

Stockholm 29 April 2024

Deloitte AB

Didrik Roos  
Authorized Public Accountant

Lennart Nordqvist  
Expert Member of FAR

# Impact report

This is the report referred to in chapter 4 of H&M Group’s Green Finance Framework (the Framework), available at <https://hmgroup.com/investors/sustainable-finance/>.

This report shows environmental impact associated with the Eligible Green Project Portfolio, per GBP category and has been produced taking into account the recommendations of the 2023 ICMA Harmonized Framework for Impact reporting for the portfolio approach<sup>2</sup>.

Portfolio date: 30 November 2023

ICMA GBP category: Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products		
Allocation per 30 November 2023		Contribute to UN Sustainable Development Goals
Alignment with ICMA Principles	Green Bond Principles	
Amount allocated to Eligible Green Project Portfolio	199 EURm	  
Share of total Eligible Green Project Portfolio	63%	
% Eligible for Green Financing	100%	
Impact information		
Tonnes of plastic packaging reduction enabled	1 224 tonnes/year	
Tonnes of fabric purchased with the 75M EURm allocated to the Eligible Green Project Portfolio	18 643 tonnes	
Estimated annual GHG emissions avoided <sup>3</sup>	32 625 tCO <sub>2</sub> e	
Recycled materials (purchased with the 75 EURm allocated to the Eligible Green Project Portfolio) as share of total materials used in H&M Group’s commercial goods in 2023 <sup>4</sup>	3.2%	
Eligible Green Project Portfolio contributes to circular business models revenue stream, including Sellpy		
Number of second-hand items traded on Sellpy	10.8 million pieces	

<sup>2</sup>ICMA handbook harmonized framework for impact reporting June 2023, see link.

<sup>3</sup>For the 18 643 tonnes of recycled material in the Eligible Green Project Portfolio. Emissions from polyester is calculated by multiplying the polyester CO<sub>2</sub>e/kg factor, that we pick from the HIGG MSI database, with the total weight of polyester used for our garment production. The weight is derived from our PLM system. To calculate the avoided emissions from our investments, we look at the difference between using the virgin polyester CO<sub>2</sub>e/kg factor and the recycled polyester CO<sub>2</sub>e/kg factor applied on the recycled polyester weight

<sup>4</sup>H&M Group total recycled materials as share of total materials used in commercial goods in 2023 was 25%

ICMA GBP category: Green Buildings		Contribute to UN Sustainable Development Goals
Allocation per 30 November 2023		
Alignment with ICMA Principles	Green Bond Principles	  
Amount allocated to Eligible Green Project Portfolio	39 EURm	
Share of total Eligible Green Project Portfolio	12%	
% Eligible for Green Financing	100%	
Impact information		
Number of certified buildings and type of classification/rating	14, LEED Gold or Platinum	
Estimated annual GHG emission avoided <sup>5</sup>	1 360 tCO <sub>2</sub> e/year	
Total annual energy savings	12 400 GJ/year	

ICMA GBP category: Renewable Energy		Contribute to UN Sustainable Development Goals
Allocation per 30 November 2023		
Alignment with ICMA Principles	Green Bond Principles	
Amount allocated to Eligible Green Project Portfolio	12 EURm	
Share of total Eligible Green Project Portfolio	4%	
% Eligible for Green Financing	100%	
Impact information		
Estimated annual GHG emission avoided <sup>6</sup>	46 300 tCO <sub>2</sub> e/year	

<sup>5</sup> Calculated based on expected energy saving of LEED Gold and Platinum certified buildings compared to uncertified buildings.

<sup>6</sup> Electricity generated onsite by rooftop and ground mounted solar PV replaces non-renewable sources, with impact calculated based on expected renewable electricity generation (analysis by H&M Group energy experts and technology suppliers and/or facility owners) and emission factors for energy replaced

ICMA GBP category: Energy Efficiency		Contribute to UN Sustainable Development Goals
Allocation per 30 November 2023		
Alignment with ICMA Principles	Green Bond Principles	 
Amount allocated to Eligible Green Project Portfolio	59 EURm	
Share of total Eligible Green Project Portfolio	19%	
% Eligible for Green Financing	100%	
Impact information		
Estimated annual GHG emission avoided <sup>7</sup>	332 000 tCO <sub>2</sub> e/year	

ICMA GBP category: Sustainable Water and Wastewater Management		Contribute to UN Sustainable Development Goals
Allocation per 30 November 2023		
Alignment with ICMA Principles	Green Bond Principles	
Amount allocated to Eligible Green Project Portfolio	7 EURm	
Share of total Eligible Green Project Portfolio	2%	
% Eligible for Green Financing	100%	
Impact information		
Estimated annual GHG emission avoided <sup>8</sup>	3 230 tCO <sub>2</sub> e/year	
Estimated annual %/volume of freshwater consumption reduced m <sup>3</sup> <sup>8</sup>	11 300 000 m <sup>3</sup> /year	

During 2023, H&M Group performed an inventory of its activities according to Article 8 of the EU Taxonomy. H&M Group has identified 13% of Eligible Green Project Portfolio to be aligned and 28% to be eligible (including aligned activities) under the EU Taxonomy regulation.

A majority of H&M Group's GHG emissions take place outside own operations—in supply chain. The EU Taxonomy applies to own capital expenditures, operational expenditures and revenue, and thus many of the activities to reduce GHG emissions of the H&M Group are not covered by the EU Taxonomy. You can find our EU taxonomy reporting in our Annual and Sustainability report 2023, available at <https://hmgroup.com/investors/annual-and-sustainability-report/>.

<sup>7</sup>Reducing unnecessary energy consumption by adopting high efficiency machines and practices, with impact calculated based on expected energy saving (analysis by H&M Group energy experts and technology suppliers and/or facility owners) and emission factors for energy reduced

<sup>8</sup>By utilizing process water back into production processes, absolute energy and water is reduced, with energy impact calculated based on expected energy saving (analysis by H&M Group energy experts and technology suppliers and/or facility owners) and emission factors for energy reduced, and water savings based on analysis by H&M Group energy experts, technology suppliers and facility owner