How we report

Our website and Annual and Sustainability Report offer more information on our material issues.

Please consult our GRI Index for the full list of disclosures included in our Annual and Sustainability Report 2024

External frameworks and standards

- **Global Reporting Initiative (GRI):** We report according to the current GRI Standards.
- **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 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.

Climate

To increase transparency and understanding, we disclose the methods and data we use to calculate our greenhouse gas emissions (GHG)

Method

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). 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). The total warming effects of these gases are reported in carbon dioxide equivalent (CO2e).

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 don't use carbon offsets to reduce our emissions. We do use unbundled Energy Attribute Certificates (EACs) to account for some of our electricity use from renewable sources, in line with the GHG Protocol. These certificates help us report progress on our renewable electricity goals while we keep investing in more impactful ways to source clean energy.

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 – transport, and all purchased goods and services, such as materials, fabric production and garment manufacturing, non-garments, packaging, and other expenditures. We aim to include additional emission sources from scope 3 in this assurance in the coming years.

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-kilometre 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, cooling or steam connected to our own operations. Primarily they come from electricity use and some 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 through power purchase agreements (PPAs) and unbundled certificates. 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 2024, we purchased renewable electricity for 96% of our own operations using a variety of certification schemes and power purchase agreements (PPAs). We have PPAs for several solar parks, located in the UK (1), Spain (3), the US (1), Poland (1), and Sweden (4).

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 and dyeing of fabric, garment manufacturing, 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. To calculate scope 3 emissions, we use a number of different methods, therefore we break down the calculation of these across areas.

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, washing and finishing. All fabrics and garment manufacturing is included in our emissions reporting.

We calculate emissions from these areas in a few steps. Fist 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.

During 2024 we refined the model for calculating emissions from fabric production and garment manufacturing to better capture placement of some production processes. Read more about the impact of this change in our 2024 Annual and sustainability report.

This 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.

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

This 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 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. For road transports from port to warehouse, emissions are estimated based on distance and weight.

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.

Packaging

Packaging emissions relate 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.

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 combine national waste management statistics for our sales-countries with the sold volumes, to get a distribution of how the waste is treated. A significant share of the textile waste is sorted and exported, and for this, we use global statistics for exports of used textiles to estimate where it is exported, and how it is treated in the importing countries.

For each disposal management practice, we combine an emission factor with the total weight that goes to that treatment to calculate the total emissions from end-of-life of products sold.

Other expenditures

For emissions not covered in any other areas we use a simplified spend-based approach. This covers emissions from a variety of activities such as IT, cleaning and maintenance, media marketing and communications, office supplies and other services. Emissions are calculated using annual spend on activities in these areas, with an emission factor per SEK for each type of activity, from the DEFRA database.

Other emission sources

In addition to the categories described above, there are emissions related to a number of other activities. For example, 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, in other cases we use actual data, such as for business travel, and 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

We continually work to improve our data availability and quality, so we can capture our emissions as accurately as possible. Here, we share details of specific changes and their impact on our previously reported figures (specifically 2023 figures and baseline 2019 figures), to provide transparency and continuity. In 2024:

We have used sales-country level waste statistics for domestic waste treatment, as well as exports and the end-point country waste treatments, which helped us to better estimate how products are moved and treated once they reach their end-of-life. These changes led to a decrease in emissions from end-of-life treatment by 30% or 26 613 tonnes CO2e for 2023, compared to what was reported in our 2023 sustainability disclosure.

For other expenditures, we have updated the data set for emission factors to include annual development of emissions. We also improved the overall calculation method for emissions of other expenditures and resolved an issue with over-estimating the emission of some packaging. These changes led to a combined increase in emissions within other expenditures by 25% or 119 792 tonnes CO2e for 2023, compared to what was reported in our 2023 sustainability disclosure.

We improved the emissions calculation model for fabric production and garment manufacturing, to better capture placement of production processes. This led to a decrease in emissions from these activities of 5% or 188 290 tonnes of CO2e for 2023. An error was found where some upstream emissions from energy used in production were not included. This led to an increase of emissions by 42 546 tonnes CO2e for 2023, compared to what was reported in our 2023 sustainability disclosure.

Updates in the emission factor database MSI, used for non-garment products and raw materials, most notably the addition of a specific emission factor for BCI cotton, led to a decrease in emissions within these areas by 1,7% or 26 011 tonnes CO2e for 2023, compared to what was reported in our 2023 Sustainability Disclosure.

An error was identified in the calculation of transport emissions. Emissions from a portion of transport service providers on a shorter transport leg were omitted from the final result. This gap has been corrected with estimated emissions, leading to an increase in transport emissions of 1.2% or 3,373tonnes CO2e for 2023, compared to what was previously reported in our 2023 sustainability disclosure.

Some minor changes in the emission factor sources for franchise and employee commuting (both reported under “other”) emissions led to a decrease in emissions within these areas by 2% or 1,773 tonnes CO2e for 2023, compared to what was reported in our 2023 Sustainability Disclosure.

For our full scope 3 emissions, including the use-phase all these changes correspond to a decrease of 1% or 119,159 tonnes CO2e for 2023 and a 2% or 275,732 tonnes CO2e increase for 2019, and an additional absolute decrease between 2019 and 2023 of 394 890 tonnes CO2e compared to what was reported in our 2023 Sustainability Disclosure. Our full calculation and data methodology is available at: hmgroup.com/ sustainability/circularity-and-climate/climate/climate-reporting].

All these changes have been applied to historical results, both for absolute figures and reductions between years. This can be seen in the results for 2023, where progress since the baseline (2023 vs 2019, total scope 3 GHG emissions excluding use phase) is now approximately -26%, compared to the -22% previously reported in our 2023 Sustainability Disclosure.

Within Scope 1 & 2, we have updated the 2023 figures, replacing some estimates with actual data and including a distribution centre in Poland mainly used by Sellpy. This update results in an increase in Scope 1 & 2 emissions by 1% or 303 tonnes CO2e for 2023 compared to what was reported in our 2023 Sustainability Disclosure. For the baseline year, we have adjusted refrigerants data due to incorrect square meter data used for stores in 2019, resulting in a decrease of 2% or 1,458 tonnes CO2e in Scope 1&2 for that year compared to what was reported in 2023.

Chemicals and water pollution

In our Annual and Sustainability Report 2024 we disclose the following KPIs is applicable for Industrial On-Site Effluent treatment Plant (ETP)* :

— % of tier 1 and 2 production factories achieving green grade ETP functionality assessment

  This KPI measures the percentage of factories that have achieved a green grade in their on -site Effluent Treatment Plant (ETP) assessment, indicates that the plant functionality meets all H&M Group requirement in terms of appropriate design, capacity, operational control, and operator competence.

— % of tier 1 and 2 production factories with functional ETP assessments

  This KPI measures the percentage of factories that have achieved either a green or a yellow grade in their Effluent Treatment Plant (ETP) assessment. “Yellow” grade indicates that the plant functionality meets H&M Group requirement in terms of appropriate design and capacity but may have improvement potential on either operational control, operator competence or both. Yellow graded ETP meets discharges wastewater quality on an ongoing basis as required by H&M Group and complete corrective action plan to achieve “Green “.

A green grading indicates that the ETP is functional and:

— the treatment capacity is more than the wastewater generation capability on an Hourly/ daily basis from installed wet processing capacity in the factory.

— have adequate functional and well-designed levels of treatment required to meet the discharge standard.

— ETP operation, monitoring, and operator competency are sufficient for ETP functionality as per H&M ETP Assessment Guideline.

— ETP has a proven track record of meeting ZDHC Wastewater quality standard- conventional parameters consistently. In case of failure, appropriate Corrective and preventive action is taken and documented. Prioritized parameters and standards can be found later in this document.

— ETP assessment once in 2 years.

A yellow grading indicates that ETP is functional and may have improvement potential on either operational control, operator competence or both.

— not maintaining the operation control at all required levels

— the operation or monitoring devices are out of order or not monitored at all. Backup equipment is not available for the critical equipment.

— Automation of critical ETP operation were not available for ETP over 50m3/HR of Flowrate

— Lack of ETP operators’ understanding in terms of ETP operation, Internal Testing, Troubleshooting

— Yearly ETP Assessment

** Industrial on-site ETP: Full internal treatment through the factory’s own treatment with discharge to the environment.*

— % of tier 1 and tier 2 production factories with ETP discharged water quality that is Zero Discharge of Hazardous Chemicals wastewater compliant (Foundation Level)?

To validate the ongoing functionality and performance of the On-Site ETP, H&M group perform unannounced wastewater testing. The treated wastewater sample will be collected by the H&M Group appointed 3rd party. The following testing frequency applies:

— Green Graded ETP

  – Wastewater testing every 6 months.

— Yellow Graded ETP:

  – Wastewater testing every month and continue until green grade achievement and pass 3 monthly consecutive tests.

Wastewater discharge quality

Applicable to Textile and Leather

Wastewater that is directly discharged to outside environment after treatment, should comply with prioritized ZDHC conventional parameters, with foundational limits listed below, or legal requirements, whichever is stricter.

The prioritized conventional parameters are the important indicators to a functioning ETP and they are the primary basis of ETP design. For this KPI, our compliance refers to meeting these 5 key parameters only, not all parameters listed in **ZDHC Wastewater Guideline v2.2 (Table-3)**.

Parameter	Unit	Foundational Parameter limit values	
		Textile	Leather
pH	pH	6 - 9	
Temperature difference	°C	Δ+15	
Biological Oxygen Demand (BOD_5)	mg/L	30	50
Chemical Oxygen Demand (COD)	mg/L	150	250
Total Suspended Solids (TSS)	mg/L	50	70

This testing is not applicable for ZLD plants.

Applicability for non-textile

In the case of non-textile PU, national legislation on wastewater quality needs to be complied with. The test should be done from ZDHC-approved 3rd party lab unless there is no ZDHC-approved lab in the country. For countries where ZDHC approved lab is not available, such testing is to be done by Govt lab/trustworthy third-party lab.

Resource use and circularity

Packaging

The methodology used to measure % of plastic packaging designed for reuse and recycling is in accordance with the **Ellen MacArthur Foundation's, Global commitment Recyclability Assessment Tool,** where we include all plastic packaging designed to be technically recyclable in the scope. Currently, all the plastic hangers and polybags we have are technically recyclable.

Resell

Our ambition is to extend customer use of products. By giving customers access to services and guidance that helps to extend the use of products, we contribute to new, more resource-efficient, revenue streams. We offer resell as one of our services to extend the use of products.

We define resell as: trade of second-hand items (online or instore) Customer to customer (C2C) , Business to customer (B2C).

We report sales of second hand goods according to the Taxonomy definition *Sale of second-hand goods*: Sale of second-hand goods that have been used for their intended purpose before by a customer (physical person or legal person), possibly after repair, refurbishment or remanufacturing.

We include both resell online and in-store for our KPI *number of markets where we offer resell*.
For the KPI *number of stores where we offer resell* we only include physical stores.

To retrieve the resell data we use ExA (Exploratory Analytics) for all H&M and Portfolio Brands Resell data. For Sellpy we use Redash and Databricks. The data is internally verified every 6 months by the function assurance responsible.

Governance – business conduct

Supplier relationships and purchasing practices

The below process description applies to the following metrics disclosed in the Annual and Sustainability Report 2024:

— Share of tier 1 supplier factories with a Health & Safety Committee

— Share of tier 2 production factories with Health & Safety Committees

— Share of tier 1 production factories with trade union representation

— Share of tier 2 production factories with trade union representation

— Share of tier 1 production factories with collective bargaining agreements
— Share of tier 2 production factories with collective bargaining agreements
— Share of tier 1 production supply chain factories that have grievance mechanisms in place
— Share of tier 2 production supply chain factories that have grievance mechanisms in place
— Number of tier 1 production factories participating in FSLM (Higg Facility Social and Labor Module)
— Number of tier 2 production factories participating in FSLM
— Number of tier 1 production factories participating in FSLM with third party verifications
— Number of tier 2 production factories participating in FSLM with third party verifications

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 products are produced by suppliers that are not owned by us. Therefore, it's essential suppliers work towards the same ambitions and have the same mindset as us 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 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 any 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.

Through SIPP we assess our suppliers' performance and their level of compliance with our Sustainability Commitment. The main components of SIPP include minimum requirements assessment, 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 their annual social and environment performance data and management system indicators through the Higg facility assessment tools, 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.

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 verification body. 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 supply 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.

See page 106 of the Annual and Sustainability Report 2024 for the participation and verification share of supplier factories included in FSLM.

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.

Not all factories fall within the scope of Higg. Examples include small factories with fewer than 25 workers, newly constructed factories lacking a year of data for verification, factories with low business volumes and some factories producing other products like cosmetics and hardgoods.

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., we have now prioritised on-site unannounced visits to all our approved factories to conduct minimum requirement assessments, starting from 2025 all of suppliers factories outside the Higg scope will go through an annual Minimum Requirement Assessment by an approved 3rd party and factories under Higg scope will be assessed for Minimum requirements once in two years by an approved 3rd party in addition to the annual Higg Social and Environment assessments.

Average monthly wages at H&M Group supplier factories

Average monthly wages are calculated by aggregating Average monthly wages (excluding overtime) paid by factory. In the aggregation each factory is assigned a weight based on total number of workers for the corresponding month for each factory. Factories reports Average monthly wages (excluding overtime) and total number of workers for each month. This data is audited and approved by our internal teams.

For minimum wages calculation we keep a record of applicable minimum wages for a factory for each month. This is based on gazettes/notification by appropriate authority or collective bargaining agreement between unions and factory management. Minimum wages are also aggregated in the same was as for Average monthly wages (excluding overtime), each factory is assigned a weight based on total number of workers for the corresponding month for each factory.

Both Average wages (excluding overtime) and Minimum wages are recorded in local currency, which is converted to USD by using reference exchange rates for each month as applicable from "UN Operational Rates of Exchange" (https://treasury.un.org/operationalrates/OperationalRates.php).

Payment practices commercial suppliers

In our Annual and Sustainability Report, we report the following kpis:

— Average number of days to pay invoice from date when contractual or statutory term of payment starts to be calculated

— % of commercial supplier payments made on time

From our repository of invoices, we extract payment date, due date and invoice date for each vendor in order to calculate the total days to payment. By subtracting due date to payment date we also calculate the share of payments have been made on time (early and on due date).

Due to the excessive amount of data and impossibility to extract such amount in Excel, the averages of one month per each year are used as a proxy for the full year. No significant variations occur between each month of the year.