

H&M GROUP

GREEN BOND REPORT 2024



H&M

Allocation report

This is the report referred to in chapter 4 of H&M Group Green Finance Framework (the Framework), available at <https://hmgroupp.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 23 April 2025 in accordance with chapter 2 of the Framework.

Portfolio date: 30 November 2024

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	300
- of which cost of recycled materials ¹	75
Green buildings	30
Renewable energy	21
Energy efficiency	138
Sustainable water and wastewater management	24
Total Eligible Green Project Portfolio	513

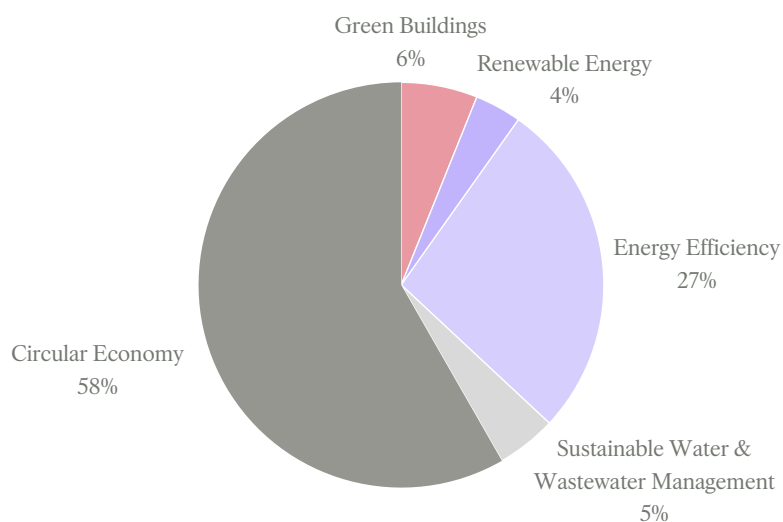
¹ Capped at 15% of bond proceeds

Outstanding Green Finance Instruments

Instrument (ISIN)	Issuance Date	Due Date	Coupon	Amount (EURm)
XS2704918478	Oct - 23	Oct - 31	4.875%	500
Total Green Finance Instruments Outstanding				500

The percentage of net proceeds of Green Finance Instruments allocated to the Eligible Green Project Portfolio: 100%.

Allocation of net proceeds per Eligible Green Project Category:



Financing of eligible green projects added in 2024 (amount EURm): 289

Refinancing of eligible projects before 2024 (amount EURm): 224

Projects in the Eligible Green Project Portfolio

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

- Capital and operating expenditures for the resell platform Sellpy and development of IT system to support second hand sales online and in store.
- Capital expenditures in garment handling machinery enabling warehouse operations without single use polybags.
- Equity investment in Syre, a venture to rapidly scale textile to textile recycled polyester yarn with the same qualities as virgin polyester.
- Equity investments in companies that develop technologies and software to enable circular products and circular customer journey.
- Cost of recycled cotton, recycled man-made cellulosic fibres and recycled polyester in commercial goods. Allocation capped at 15% of bond proceeds.
- Cost to support regenerative agricultural practices in cotton and wool production.

Green buildings

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

Renewable energy

- Capital expenditures for onsite solar PV on H&M Group's offices and warehouses.
- Loans to suppliers for capital expenditures to replace fossil fuels with solar energy.
- Costs to enable the signing of virtual power purchase agreements in Sweden, Spain, UK, Poland and US with a total capacity of 600 Gwh.
- Program fees for Future Supplier Initiative and The Fashion Climate Fund, two initiatives to enable collaborative financing of supplier decarbonisation.
- Equity investment in Rondo Energy that makes thermal battery energy storage technology with potential to help textile factories electrify.

Energy efficiency

- Capital expenditures to reduce energy consumption in H&M Group's stores, offices and warehouses. This includes for example real-time monitoring, LED lighting and motion sensors.
- Loans to suppliers for capital expenditures to reduce energy consumption in their factories.

- 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.
- IT capital expenditures to improve stock accuracy and efficiency, such as advanced replenishment logic and demand forecasting engine.
- IT capital expenditures for better size recommendations to reduce online returns.
- Equity investment in Smartex that develops technologies to help eliminate waste at the source of the textile manufacturing chain.

Sustainable water and wastewater management

- Cost to pilot innovative waterless dyeing technologies in supplier factories in India and Bangladesh.
- Loans to suppliers for capital expenditures to reduce water consumption in supplying factories.
- Equity investment in companies that develop technologies for waterless dyeing.

Scaling circular solutions across our value chain

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

We develop and contribute to innovations, ventures and projects across our value chain – often in collaboration with others – that we believe will accelerate our progress and enable a circular economy for fashion.

We continue to invest in Sellpy, our online platform for customers to sell and buy used products and clothes. In 2024, sales from resell represented 0.6% of H&M Group’s total turnover.

We partner with Looper Textile Co. to increase operational efficiency and visibility connected to our product waste and garment collecting programme in Europe. During 2024, Looper Textile Co. engaged with stakeholders in key markets to identify challenges and opportunities around improving garment end state and visibility.

In 2024, H&M Group and Vargas Holding launched Syre. The co-funded venture, also backed by TPG RISE Climate, aims to rapidly scale textile-to-textile recycling of polyester and contribute to a more sustainable textile industry.



Green Fashion Initiative

- Renewable energy
- Energy efficiency
- Sustainable water and wastewater management

H&M Group's Green Fashion Initiative (GFI) makes funding available to suppliers to invest in technologies and processes that reduce energy and water demand and replace fossil fuels. Since the program's launch in January 2022, GFI has financed 23 projects with the potential to reduce approximately 148,000 tonnes CO₂e in the supply chain, of which 67,000 tonnes are attributable to H&M Group based on our share of business with the suppliers.

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. A knitting supplier in China installed thermal heat storage to enable 100% renewable electricity by using off-peak electricity to heat a molten salt chamber. Two fabric manufacturers, one in Bangladesh and one in India, are in the process of installing innovative waterless dyeing technologies that significantly reduce water, energy and chemical consumption during the fabric dyeing process



Virtual Power Purchase Agreements

- Renewable energy

For several years, H&M Group has been exploring ways to contribute to adding more renewable electricity into the world's power grids. We have entered virtual power purchase agreements (PPA) with renewable energy developers to bring new generation capacity to electrical grids where we operate. To date, we have signed ten PPAs with solar parks in the UK (1), Spain (3), the US (1), Poland (1) and Sweden(4). The total capacity secured through the signed PPAs is 380 MW, and is expected to generate 600 GWh of renewable electricity annually when operational.



Advanced replenishment logic

- Energy efficiency

By optimising our assortment planning and aligning production with demand, we reduce waste and improve resource efficiency across our supply chain. The replenishment process is crucial for ensuring H&M's 4000+ stores continuously have adequate and relevant stock. Currently managed by merchandisers, this process is both time consuming and complex due to the vast number of store and stock combinations. H&M is automating parts of this process with machine learning to optimise replenishment decisions, maximising profitability and stock utilisation. These advancements are expected to significantly enhance stock efficiency, sustainability, and company profitability. Additionally, more efficient stock utilisation in stores will enable a more effective stock pooling strategy, increasing overall flexibility and efficiency in managing inventory.

Shanghai production office

- Green buildings

Our production office located in central Shanghai holds the highest level of certification of the LEED program. The building has industry-leading sustainable design including high speed elevators with regenerative system, smart lighting system, optimised rainwater drainage system, reclaimed water system, use of environmentally friendly and low-emitting materials, 250-metre skylight to maximise natural lighting and advanced electrical and thermal appliances to reduce GHG emissions.

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 2024 ("Reporting") set out on page 2-7 in H&M Group Green Bond Report 2024.

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://hmggroup.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 2024, is not prepared, in all material respects, in accordance with the applicable criteria, as explained in the H&M Group Green Finance Framework.

Stockholm 28 April 2025
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 approach².




Portfolio date: 30 November 2024


ICMA GBP category: Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products		
Allocation per 30 November 2024		Contribute to UN Sustainable Development Goals
Alignment with ICMA Principles	Green Bond Principles	
Amount allocated to Eligible Green Project Portfolio	300 EURm	
Share of total Eligible Green Project Portfolio	58%	
% 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	14 332 tonnes	
Estimated annual GHG emissions avoided ³	27 334 tCO ₂ 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 2024 ⁴	2.4%	
Eligible Green Project Portfolio contributes to circular business models revenue stream, including Sellpy		
Share of H&M Group turnover coming from resell	0.6%	

²ICMA handbook harmonized framework for impact reporting June 2023, see link.

³For the 14 332 tonnes of recycled material in the Eligible Green Project Portfolio. Emissions from polyester, cotton and MMCF respectively are calculated by multiplying the material CO₂e/kg factor, that we pick from the HIGG MSI database, with the total weight of the material 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 material CO₂e/kg factor and the recycled material CO₂e/kg factor applied on the respective material weight in the allocation


⁴H&M Group total recycled materials as share of total materials used in commercial goods in 2024 was 29.5%


ICMA GBP category: Green Buildings		
Allocation per 30 November 2024		Contribute to UN Sustainable Development Goals
Alignment with ICMA Principles	Green Bond Principles	
Amount allocated to Eligible Green Project Portfolio	30 EURm	
Share of total Eligible Green Project Portfolio	6%	
% Eligible for Green Financing	100%	
Impact information		  
Number of certified buildings and type of classification/rating	13, LEED Gold or Platinum	
Estimated annual GHG emission avoided ⁵	1 342 tCO ₂ e/year	
Total annual energy savings	12 234 GJ/year	

ICMA GBP category: Renewable Energy		
Allocation per 30 November 2024		Contribute to UN Sustainable Development Goals
Alignment with ICMA Principles	Green Bond Principles	
Amount allocated to Eligible Green Project Portfolio	21 EURm	
Share of total Eligible Green Project Portfolio	4%	
% Eligible for Green Financing	100%	
Impact information		
Estimated annual GHG emission avoided ⁶	46 300 tCO ₂ e/year	
New renewable energy capacity enabled by virtual power purchase agreements	600 GWh/annum total capacity -of which 214 GWh volume generated in 2024	

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

⁶ Electricity generated onsite by rooftop and ground mounted solar PV that 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. New offsite renewable energy capacity enabled by VPPA excluded from calculation.

ICMA GBP category: Energy Efficiency		
Allocation per 30 November 2024		Contribute to UN Sustainable Development Goals
Alignment with ICMA Principles	Green Bond Principles	
Amount allocated to Eligible Green Project Portfolio	138 EURm	
Share of total Eligible Green Project Portfolio	27%	
% Eligible for Green Financing	100%	
Impact information		
Estimated annual GHG emission avoided ⁷	523 000 tCO ₂ e/year	
Eligible Green Project Portfolio contributes to H&M Group's target for stock-in-trade in relation to net sales of 12-14%		

ICMA GBP category: Sustainable Water and Wastewater Management		
Allocation per 30 November 2024		Contribute to UN Sustainable Development Goals
Alignment with ICMA Principles	Green Bond Principles	
Amount allocated to Eligible Green Project Portfolio	24 EURm	
Share of total Eligible Green Project Portfolio	5%	
% Eligible for Green Financing	100%	
Impact information		
Estimated annual GHG emission avoided ⁸	7 130 tCO ₂ e/year	
Estimated annual %/volume of freshwater consumption reduced m ³ ⁸	11 517 000 m ³ /year	

During 2024, H&M Group performed an inventory of its activities according to Article 8 of the EU Taxonomy. H&M Group has identified 28% of Eligible Green Project Portfolio to be aligned and 41% to be eligible (including aligned activities) under the EU Taxonomy regulation. You can find our EU taxonomy reporting in our Annual and Sustainability report 2024, available at <https://hmgroupp.com/investors/annual-and-sustainability-report/>

⁷Reducing 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

⁸By utilising 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