

H&M GROUP

SUSTAINABILITY-LINKED BOND PROGRESS REPORT 2024



This Sustainability-Linked Bond Progress Report is prepared in accordance with the Sustainability-Linked Bond Framework of January 2021 and Terms and Conditions of the outstanding EUR500 million 0.250% sustainability-linked Notes due 2029 (the 2029 Notes).

The report contains the status on the KPIs and should be read in conjunction with H&M Group’s annual and sustainability report 2024 published on 27 March 2025 and available at <https://hmggroup.com/investors/annual-and-sustainability-report/>.

We are pleased to report strong progress on all three KPIs, with share of recycled materials well on track towards our 2025 target and scope 1, 2 and 3 GHG emission reduction exceeding the targets for the sustainability-linked bond.

Our ambition is to contribute to the limiting of global warming to 1.5°C in line with the Paris Agreement. We aim to achieve this by decarbonising our supply chain, optimising production and improving resource efficiency. To reach our ambition, we have integrated accountability for reaching our climate targets into our core business throughout our brands and operations. In 2024, our total spend on decarbonisation activities across the value chain was approximately SEK 1.7 billion. This includes various initiatives aimed at phasing out fossil fuels, supporting energy efficiency, and replacing conventional materials with recycled or sustainably sourced alternatives.

KPI performance

KPI	Description	2017 baseline	2017 revised baseline ¹	2017 observation period	2024 outcome	% reduction against baseline	2024 observation period	Sustainability-linked bond SPT for 2025
KPI 1	Recycled materials as share of total materials used	N/A	N/A	N/A	29%	N/A	2 Dec 23 – 29 Nov 24	30%
KPI 2	Scope 1 & 2 CO ₂ e emissions (tonnes) ²	63,690	N/A	1 Sep 16 – 31 Aug 17	42,365	2017 baseline: -50%	1 Sep 23 – 31 Aug 24	-20%
KPI 3	Scope 3 CO ₂ e emissions from upstream activities (kilotonnes) ²	13,479	6,852	1 Jan 16 – 31 Dec 16	5,490	2017 baseline: -59% 2017 revised baseline: -20%	1 Jan 23 – 31 Dec 23	-10%

¹ For more details, see section “KPI 3 update of baseline” in Sustainability-Linked Bond Progress Report 2023 available at <https://hmggroup.com/investors/sustainable-finance/>

² For more details, see section “Calculation methodology” below

Examples of measures taken during 2024 impacting KPI performance

KPI 1: Recycled materials as share of total materials used in commercial goods.

Share of recycled materials used in commercial goods has continued to increase, up from 25% in 2023 to 29% in 2024, almost reaching our 30% target one year early.

To increase the availability of recycled materials and make them more affordable, we support the development, testing and scaling of such materials and recycling infrastructure at various stages. We also collaborate with industry partners to drive wider adoption. Our joint venture Looper Textile Co. with Remondis, provides collecting and sorting solutions to enable reuse and recycling. In 2024, we launched Syre, with Vargas Holding, a venture to scale textile-to-textile recycled polyester.

We continue to increase the share of products and collections designed according to circular design principles, and the expected, incoming requirements on for example durability and recycled content. We work with brands and experts such as the Circular Design Consortium and Ellen MacArthur Foundation, to explore circular design strategies, scale circular product design, share insights, and tackle shared challenges.

KPI 2: Scope 1 and 2 CO₂e emissions

Our Scope 1 and 2 CO₂e emissions decreased by 50% compared to the 2017 baseline.

During 2024, we added the Philippines and Colombia to the countries we source renewable electricity for, bringing the total share of renewable electricity to 96%.

In addition to increasing the share of renewable electricity, we are also committed to procuring in more impactful ways. We are entering 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). At the end of 2024, five PPAs were operational and covered 20 percent of our total electricity consumption, up from 10 percent last year. The total capacity secured through the signed PPAs is 380 MW and is expected to generate 600 GWh of renewable electricity annually when operational.

We are rolling out energy efficiency programmes such as real-time monitoring, LED lighting, installing motion sensors and adjusting indoor temperatures. In 2024, we achieved a 32% reduction in electricity intensity in our stores (per square metre and opening hour) compared with our 2016 baseline. We have raised our 2030 target, increasing it from 25% to 36%.

KPI 3: Scope 3 CO₂e emissions from upstream activities

Scope 3 emissions decreased by 20% in 2024 (calendar year 2023) compared to the revised baseline.

The number of garment supplier factories in tier 1 and 2 reporting the use of on-site coal boilers

decreased by 19 units in 2024, to a total of 27 units. This has decreased from 118 units in 2022. This decrease is a result of our continued efforts in phasing out on-site coal, changes in our supplier base, local legislation, and H&M Group pushing for increased electrification of steam production.

Our team of energy experts provides suppliers with free energy audits to identify potential efficiency improvements. In 2024, the energy efficiency programme enrolled 78 new facilities, identifying potential reductions of more than 656,000 tonnes CO₂e throughout the year. Since its launch in 2021, the programme has initiated 1,027 projects, which have been or are being implemented by suppliers, resulting in total expected annual reductions of 350,000 tonnes CO₂e.

Our Green Fashion Initiative supports our suppliers to replace the use of fossil fuels. Since the start, we have funded 23 projects with an expected emission reduction of 148,000 CO₂e annually, of which 67,000 tonnes CO₂e is attributable to H&M Group based on our share of business with the relevant suppliers.

Collaborative financing between peers, banks, NGOs and financial bodies is vital to amplify and **accelerate the transition. We are a lead partner of the Apparel Impact Institute's Fashion Climate Fund** and one of the driving forces behind the Future Supplier Initiative, which brings together brands to collectively finance decarbonisation projects for shared suppliers.

These are just a sample of the measures taken, for more information on our sustainability efforts, please visit <https://hmgroup.com/sustainability/>.

Calculation methodology

Share of recycled materials

Share of recycled material as share of total materials is calculated by dividing the total weight of all the recycled material used in 2 December 2023 – 29 November 2024 by total weight of all the materials used.

Scope 1 and 2 CO₂e emissions

Scope 1 emissions are all direct emissions from our own operations, while scope 2 represents indirect GHG emissions from the consumption of purchased electricity and heat in our own operations. Emissions are calculated based on energy reports collected from meters and invoices. In cases where actual electricity consumption is not reported, estimates are made based on current average of opening hours and store area. Electricity emissions are calculated using the market-based method. Fuel consumption includes natural gas, fuel oil and diesel. Company cars and refrigerant leakage are not included.

Scope 3 CO₂e emissions

KPI 3 includes scope 3 GHG emissions from upstream activities, more specifically fabric production, garment manufacturing, raw materials and upstream transport.

Purchased goods and services

Fabric production and garment manufacturing: 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.

Raw materials includes emissions from production and processing of fibres such as cotton, viscose and polyester. We estimate the weight of each material, based on measured final product weights from our logistics system, and adding estimated waste in each production stage. This weight is then multiplied by the relevant emission factor in the HIGG MSI database. This is often referred to as tier 4.

Upstream transportation

Emissions related to upstream transportation are calculated by identifying how far goods have travelled per mode of transport (ocean, rail, road, air) multiplied with relevant emission factors³ for each mode

³ Transport by rail, air, shipping, truck — emissions factors provided by Conlogic and NTM 2019. Emission factors assumed to be the same for both base year and for latest reporting year.

of transport. The calculation methodology uses a stepwise approach combining multiple internal data sources.

Identifying routes for international freight:

- Shipping country is assumed to be the same as country of production.
- For each shipping country, if more than one possible place of loading exists then one place of loading is identified per mode of transport.
- For each planned market, if more than one possible place of discharge exists then one place of discharge is identified per mode of transport.

Identifying routes for trucks delivering H&M Group goods from place of discharge to warehouse:

- All goods shipped to the planned market are assumed to be allocated to one warehouse, selected based on largest historical volume for H&M Group.

Auditor's Assurance Report on specified sustainability information in H & M Group's Sustainability-Linked Bond Progress report 2024

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 below specified disclosures, presented in the H&M Group 'Sustainability-Linked Bond Progress report 2024.

- **KPI 1:** Share of recycled materials used in commercial goods as part of total materials used in commercial goods for the period 2nd December 2023 – 29th November 2024, as presented on page 2 in the H&M Group Sustainability-Linked Bond Progress report 2024.

- **KPI 2:** Scope 1 and 2 GHG-emissions, including percentage in relation to baseline for the period 1st September 2023 – 31st August 2024, as presented on page 2 in the H&M Group Sustainability-Linked Bond Progress report 2024.

- **KPI 3:** Scope 3 GHG-emissions related to fabric production, garment manufacturing, raw materials and upstream transport including percentage in relation to baseline for the period 1st January 2023 – 31st December 2023, as presented on page 2 in the H&M Group Sustainability-Linked Bond Progress report 2024.

Responsibilities of the Executive Management for the Sustainability Linked Bond Progress Report

The Executive Management is responsible for the preparation of the Sustainability-Linked Bond Progress report in accordance with the applicable criteria, as explained on page 2 in the Sustainability-Linked Bond Progress report 2024 and are the parts of H&M Group's Sustainability-Linked Bond framework 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 a Sustainability-Linked Bond Progress report 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 above specified disclosures in the H&M Group Sustainability-Linked Bond Progress report 2024 based on the limited assurance procedures we have performed. The selection of disclosures to be reviewed has been made by the management of H&M Group. Our engagement is limited to the above specified information and is limited to historical information presented and does 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 Sustainability-Linked Bond Progress report 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 the Executive Management as described above. We consider these criteria suitable for the preparation of the above specified disclosures presented in the Sustainability-Linked Bond Progress report 2024.

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 information regarding the above specified disclosures in H&M Group's Sustainability-Linked Bond Progress report 2024, are not prepared, in all material respects, in accordance with the criteria defined by the Executive Management.

Stockholm 28 April 2025

Deloitte AB

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