

# H&M GROUP

SUSTAINABILITY-LINKED BOND PROGRESS REPORT 2025



Our ambition is to decouple our growth from resource use, contribute to the limiting of global warming to 1.5°C in line with the Paris Agreement, empower people and communities, and drive change within our industry. Over time, we have systematically integrated the sustainability perspective into our core strategies, governance, and key decisions across our business and value chain. By translating long-term sustainability commitments into purposeful actions – building long-term partnerships with suppliers and investing in renewable energy, resource efficiency and innovation – we have achieved great progress towards our long-term targets.

This report marks the final progress update on the Key Performance Indicators (KPIs) of the sustainability-linked Notes. We continually work to improve our data availability and quality to calculate our GHG emissions as accurately as possible. This has resulted in a revision of the 2017 baseline for KPI 2 and 3. **Details of the specific changes are described in the section “Calculation methodology” below.** Progress on the KPIs is measured both against original baseline and revised baseline.

We are pleased to conclude that we have achieved – and exceeded – all three KPIs. Hence, no Step-Up Event has occurred, and the interest rate will remain unchanged for the remaining term of the sustainability-linked Notes.

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 percent sustainability-linked Notes due 2029 (the 2029 Notes). The report should be read in conjunction with H&M Group’s annual and sustainability report 2025 published on 26 March 2026 and available at <https://hmgroup.com/investors/annual-and-sustainability-report/>.

## KPI performance

KPI	Description	2017 baseline	2017 revised baseline <sup>1</sup>	2017 observation period	2025 outcome	% reduction against baseline	2025 observation period	Sustainability-linked bond SPT for 2025
KPI 1	Recycled materials as share of total materials used	N/A	N/A	N/A	32%	N/A	30 Nov 24 – 28 Nov 25	30%
KPI 2	Scope 1 & 2 CO <sub>2</sub> e emissions (tonnes) <sup>2</sup>	63,690	68,493	1 Sep 16 – 31 Aug 17	44,372	2017 baseline: -30% 2017 revised baseline: -35%	1 Sep 24 – 31 Aug 25	-20%
KPI 3	Scope 3 CO <sub>2</sub> e emissions from upstream activities (kilotonnes) <sup>3</sup>	13,479	5,420	1 Jan 16 – 31 Dec 16	4,594	2017 baseline: -66% 2017 revised baseline: -15%	1 Jan 24 – 31 Dec 24	-10%

<sup>1</sup> For more details, see section “Improving data quality and calculation methodology” below

<sup>2</sup> For more details, see section “Scope 1 and 2 CO<sub>2</sub>e emissions” below

<sup>3</sup> For more details, see section “Scope 3 CO<sub>2</sub>e emissions” below

## Examples of measures taken in 2025 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 29 percent in 2024 to 32 percent in 2025, thereby exceeding our target for 2025 of 30 percent.

In 2025 we continued to take action to increase the use of recycled materials in our products. We continued to support our investment in Syre for textile-to-textile recycled polyester and signed a multi-year agreement to source CIRCULOSE® as a replacement for virgin viscose. We collaborated with RE&UP, Recover and Loopamid to scale pre- and post-consumer recycled feedstock, particularly for cotton and polyester, and launched our first collection from the UNIDO SWITCH2CE pilot in Bangladesh. We continue to incorporate Global Recycling standard (GRS), Recycling Claim standard (RCS), and Forest Stewardship Council (FSC) certified recycled materials into our material roadmaps and phased out virgin polyester and down.

### KPI 2: Scope 1 and 2 CO<sub>2</sub>e emissions

Our scope 1 and 2 CO<sub>2</sub>e emissions decreased by 35 percent compared to the revised baseline.

In 2025, we continued to take action to improve energy efficiency in our own operations. This includes the deployment of real-time energy monitoring systems, installation of LED lighting and motion sensors, as well as adjustments of indoor temperatures in our stores. We also continued our efforts to increase the share of electricity consumption in our stores, warehouses and offices that is matched with renewable energy. The aim of this is to ensure that we reach 100 percent matching of renewable electricity for our own operations by 2030, with at least 50 percent coming from Virtual Power Purchase Agreements (VPPAs), driving the development of new renewable electricity generation.

The reduction in scope 1 and 2 CO<sub>2</sub>e emissions compared to the previous year 2024 was mainly driven by the matching of renewable electricity with consumption in Australia. This contributed to lower emissions despite a marginal decline in our overall renewable electricity share from 96 percent in 2024 to 95 percent in 2025, due to updated RE100 criteria preventing matching in Romania and Serbia. The proportion of electricity matched through our VPPAs increased significantly to 49.1 percent, compared with 19.6 percent in 2024 as all VPPAs in Sweden and the United States came online.

### KPI 3: Scope 3 CO<sub>2</sub>e emissions from upstream activities

Scope 3 CO<sub>2</sub>e emissions decreased by 15 percent in 2025 (calendar year 2024) compared to the revised baseline.

During 2025 we continued to strengthen our long-term partnerships with suppliers, offering more stable and predictable volumes that enable better conditions for suppliers to invest in renewable energy and energy efficiency. We also continued to provide free energy audits to identify efficiency opportunities such as equipment upgrades, insulation and heat pumps and we encourage suppliers to

transition to the use of renewable energy sources. We contribute to the financing of such investments as a lead partner in the Apparel Impact Institute's Fashion Climate Fund and as a driving force behind the Future Supplier Initiative under the Fashion Pact. We also provide financing for energy efficiency and renewable energy investments through our Green Fashion Initiative.

We engage with policymakers and stakeholder platforms in our key markets to improve access to renewable electricity. Our primary focus is on promoting Corporate Power Purchase Agreements (CPPAs) to enable renewable procurement and accelerate grid decarbonization. In 2025, actions included additional advocacy in Vietnam, where direct power purchase agreement (DPPAs) have been introduced in the legislation in 2024. In Bangladesh, the CPPA framework has been approved, and a Memorandum of Understanding was signed to pilot the first CPPA with key suppliers.

In 2025, we have taken action to optimise our logistics network, while expanding the use of zero-emissions vehicles. We have also increased the use of biofuels where EV charging infrastructure is not yet sufficient. In addition, we continue to improve logistics efficiency by enhancing warehouse and transport configurations, reducing the number of journeys.

Emission reductions compared to the previous year 2024 were primarily driven by a decrease in total material weight and an increased share of recycled materials and materials that meet our sustainably sourced criteria. They were also supported by the shift to cleaner energy and energy efficiency improvements in our textile supply chain, where 48 percent of total electricity consumption was matched with renewables out of a total consumption of 1,127,954 MWh. By the end of 2025, 10 Tier 1, 2 and 3 factories reported the use of on-site coal boilers, down from 118 in 2022, showing strong progress towards our aim of full phase-out by the end of 2026.

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 on 30 November 2024 – 28 November 2025 by total weight of all the materials used.

## Scope 1 and 2 CO<sub>2</sub>e emissions

Scope 1 CO<sub>2</sub>e emissions include all direct greenhouse gas emissions from own operations under financial and operational control, including onsite fuel use, company vehicles, and refrigerant leakage from cooling systems. Calculations are based on consumption and emission factors from DESNZ (2025). For company cars a per-kilometre emission value per fuel type from DrivkraftSverige (2025) are used. For refrigerants the leakage is estimated, and impact is calculated using GWP factors from IPCC AR5. Where consumption data is unavailable, reasonable proxies are applied to ensure completeness.

Scope 2 CO<sub>2</sub>e emissions include indirect emissions from purchased electricity, and district heating used in stores, offices and distribution centres. Emissions are reported using the market-based method, reflecting certificates purchased or generated through VPPAs, complying with the current RE100 technical criteria, and the residual mix factors where available, or IEA grid factors. Calculations are based on energy consumption and applicable annual emission factors from IEA (2025). Where consumption data is unavailable, reasonable proxies are applied to ensure completeness.

## Scope 3 CO<sub>2</sub>e emissions

KPI 3 includes scope 3 CO<sub>2</sub>e emissions from upstream activities, more specifically fabric production, garment manufacturing, raw materials and upstream transport.

### Purchased goods and services

Fabric production and garment manufacturing: calculations are based on product weights, process energy requirements from the Apparel Impact Institute (Aii) Energy and Carbon Benchmark V1.0 (2025), and the energy mix at production units or country grid factors where the factory specific energy mix is not available. Adjustments are made for material loss rates, verified renewable energy use and energy efficiency improvements at suppliers. Primary data is used where available, otherwise standardised process energy values combined with country grid factors are applied.

Raw material production: Calculations are based on material weights combined with recognized lifecycle emission factors, primarily from the HIGG MSI database (2025). Where specific data is unavailable, conservative assumptions are applied to ensure completeness.

## Upstream transportation

Calculations are based either on fuels used reported by transport service providers, or by a combination of mode of transport, distance, and weight, applying emission factors from NTM (2025). Where primary data is unavailable, estimates are based on standard routes and historical modal splits.

## Improving data quality and calculation methodology

Improving data availability and quality has been an important focus area for us over the years to enable us to calculate our CO<sub>2</sub>e emissions as comprehensively and accurately as possible, to enable us to reduce our climate impact by steering our business, and to capture some of the outcomes from investments made in the supply chain. For the reporting year 2021, we moved from an assumption-based model of calculating scope 3 CO<sub>2</sub>e emissions that was based on selected materials and historic emission factors, to a much more granular model including real data where possible, wider scope of materials, details on specific production processes and updated emission factors. This resulted in a significant revision of the scope 3 baseline as reported in the Sustainability-Linked Bond Progress Report 2021<sup>4</sup>. Two years later, another revision of scope 3 baseline was made as we further refined the method for calculating fabric and garment manufacturing emissions. Expected energy consumption was calculated using internal order data to ascertain type of product and production processes, Higg databases used for the energy requirements for these processes, and independently verified energy consumption data from our suppliers for the factory-specific energy mix.<sup>5</sup>

For this year's report, additional improvements have been made to the scope 3 calculation methodology when it comes to estimating energy requirement for fabric production and garment manufacturing. We have transitioned from using Higg to **the Aii's Energy and Carbon Benchmark V1.0** which provides a structured way to assess facility- and process-specific energy use reflecting facilities' energy sources, production mix and process configuration. This allows us to more accurately capture energy consumed **at our suppliers' factories**, efficiency improvements and correspondingly CO<sub>2</sub>e emissions. This has resulted in a lower total energy use, and as a result lower emissions, across all years.

We have also made improvements to the calculation methodology for scope 1 and 2 CO<sub>2</sub>e emissions. For our scope 1 emissions, company cars and refrigerant leakage have been added. This was previously not included due to limited data availability. In addition, diesel consumption in stores has been estimated, and fuel oil consumption has been corrected. For scope 2, self-generated and consumed electricity has been added.

These changes in calculation methodology are reflected in the current reporting year and revised baseline for KPI 2 and KPI 3. Progress on the KPIs is measured both against original baseline and revised baseline.

For more information, see page 81 of **H&M Group's** annual and sustainability report 2025.<sup>6</sup>

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<sup>4</sup> For more information about the changes made, see our Sustainability-Linked Bond Progress Report 2021 available at <https://hmgroup.com/investors/sustainable-finance/>

<sup>5</sup> For more information about the changes made, see our Sustainability-Linked Bond Progress Report 2023 available at <https://hmgroup.com/investors/sustainable-finance/>

<sup>6</sup> Available at <https://hmgroup.com/investors/annual-and-sustainability-report/>



## Auditor's Assurance Report on specified sustainability information in H & M Group's Sustainability-Linked Bond Progress report 2025

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 2025.

- **KPI 1:** Share of recycled materials used in commercial goods as part of total materials used in commercial goods for the period 30 November 2024 – 28 November 2025, as presented on page 2 in the H&M Group Sustainability-Linked Bond Progress report 2025.
- **KPI 2:** Scope 1 and 2 GHG-emissions, including percentage in relation to baseline for the period 1 September 2024 – 31 August 2025, as presented on page 2 in the H&M Group Sustainability-Linked Bond Progress report 2025.
- **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 1 January 2024 – 31 December 2024, as presented on page 2 in the H&M Group Sustainability-Linked Bond Progress report 2025.

### *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 2025 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 2025 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 2025.

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 2025, are not prepared, in all material respects, in accordance with the criteria defined by the Executive Management.**

Stockholm , date per digital signing

Deloitte AB

Didrik Roos  
Authorized Public Accountant