



Due diligence for responsible business conduct with
regards to people, animals, society and the environment

Account reporting year 2024

for H&M Hennes & Mauritz AS



SUSTAINABLE DEVELOPMENT GOALS



To Readers Of The Report

Enterprises and the public sector have a great impact on people, society, the environment, climate, and animals and can both contribute positively to development, or negatively by causing harm. Enterprises therefore hold a central role in achieving UN's Sustainable Development Goals (SDGs) and the Paris Agreement's 1,5-degree target.

This report can be used as an account for the Transparency Act, but it has a broader scope with climate and the environment, circular economy, and anti-corruption indicators also being included. Our members are obligated to carry out due diligence and report annually on their work. Base level1 members also meet the Transparency Act's due diligence duty, and partially the Act's information duty.

Ethical Trade Norway's concept of responsible business conduct equals OECD's terminology and due diligence methodology. This is the systematic effort that enterprises do to identify, prevent, or mitigate adverse impacts and explain how they manage their risks of negative impact, as well as provide remediation to people, animals, society, and the environment where this is required – is called due diligence. Norwegian authorities expect all enterprises, regardless of their size, to carry out due diligence on society, the environment, and animals in accordance with the UN's Guiding Principles for Business and Human Rights (UNGPs) and OECD's Guidelines for Multinational Enterprises. This applies to enterprises, the public sector, and organisations.

Ethical Trade Norway's Declaration of Principles (our Code of Conduct) for Responsible Business Conduct covers the areas of decent work, human rights, environment/climate, anti-corruption, and animal welfare. This report is done in full transparency and in line with UNGP and OECD's guidelines. The reports of all members are publicly accessible on Ethical Trade Norway's website.

Heidi Furustøl

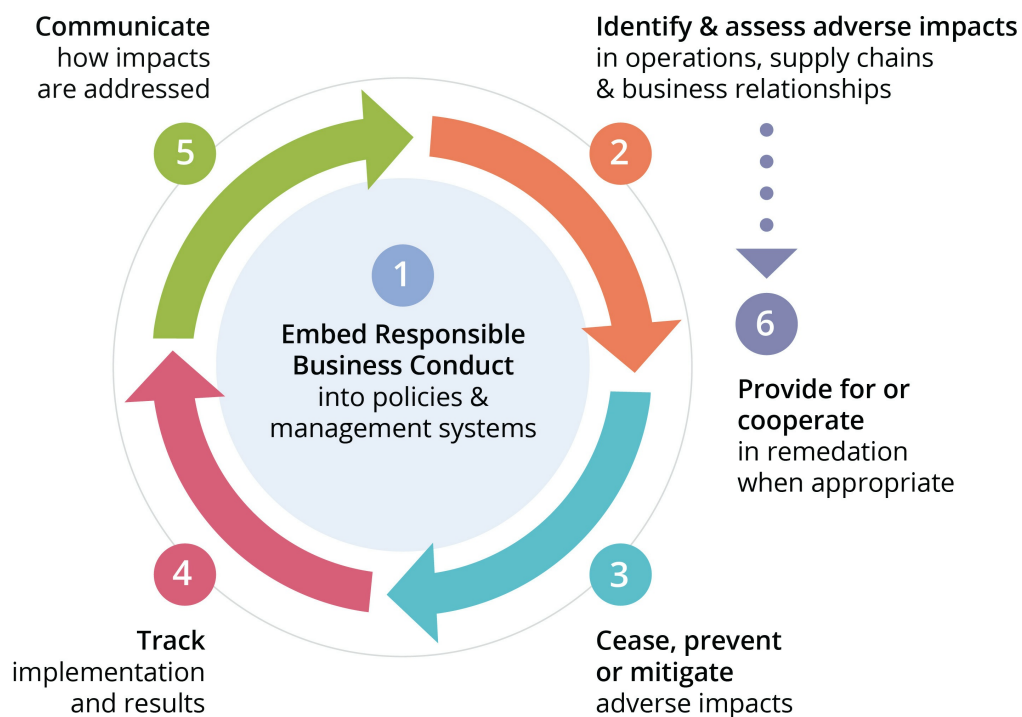
Executive Director

Ethical Trade Norway

Due diligence

This report is based on the UN Guiding Principles on Business and Human Rights and the OECD model for Due Diligence for Responsible Business Conduct.

The model has six steps that describe how companies can work for more responsible and sustainable business practice. However, being good at due diligence does not mean no negative impact on people, planet and the society. It means that the company is open and honest about challenges faced and shows how this is managed in the best possible way in collaboration with its stakeholders. This report is divided in chapters following the OECD model.



Preface From CEO

For almost 30 years, we've been working with sustainability. It's part of our business idea - to offer our customers the best combination of fashion, quality, price and sustainability - and we believe that sustainable fashion should not be limited to the few.

We've made a lot of progress, however there is still much more to do. Across our industry, we need to reduce our impact on the climate, improve our social impact and build a better fashion system. And we need to do this transparently.

Our vision to lead the change means: innovating, incubating and investing in scaling new materials, technologies and business models with the potential to decouple our business growth from resource use. It means trying to do things differently, daring to take the first step. It means sharing more data and working to improve the accuracy and comparability of industrywide disclosure. And finally, it means collaborating with others to change the way the industry works and create the legislative environment and infrastructure required for the fashion sector of the future.

In this report, we share our reflections and learnings alongside our actions, recognitions, and progress towards our goals.

Adding here a comment from H&M Group CEO as stated in our Sustainability Progress Report - <https://hmgroup.com/wp-content/uploads/2025/03/HM-Group-Sustainability-progress-report-2024.pdf>

Sustainability cannot be treated as something on the side of regular business. It is an integral part of what we do, which is why we have been integrating the sustainability agenda further into our business to create even stronger impact in our prioritised areas.

In 2024, we made significant strides toward achieving our sustainability ambitions, led by our work to decarbonise our supply chain. Our targeted investments and integrated approach have already put us on track to meet our ambitious science-based targets.

Sustainability is fundamental to how we operate and essential for our future success. There is a lot of work remaining to be done, but our ambition is clear – we want to show that there is no compromise between exceptional design, affordable price and sustainable solutions.

Daniel Erv r, CEO H&M Group

" We continue to shift gears as we work towards achieving our 2030 sustainability goals and aligning ourselves towards upcoming legislation. "



Karen O'Rourke
Sales Manager Nordics

Enterprise information and enterprise context

Key enterprise information

Enterprise name

H&M Hennes & Mauritz AS

Head office address

Postboks 68 Alnabru, 0614 Oslo

Main brands, products and services offered by the enterprise

H&M – which includes H&M HOME, H&M Move and H&M Beauty – and the portfolio brands consisting of COS, Weekday, Cheap Monday, Monki, & Other Stories, ARKET, and The Singular Society

Description of enterprise structure

H&M Group is one of the world's leading fashion retailers. Our brands are H&M – which includes H&M HOME, H&M Move and H&M Beauty – and the portfolio brands consisting of COS, Weekday, Cheap Monday, Monki, & Other Stories, ARKET, and The Singular Society. The group also consists of New Growth & Ventures, which includes Creator Studio, majority-owned Sellpy, and our investment portfolio.

H&M Group operates across multiple markets, each with their different laws, environmental requirements, social conditions and challenges. These varied contexts underline the importance of acting consistently guided by a strong ethical compass. It is of utmost importance for H&M Group to always act ethically, transparently and responsibly across all parts of the business – from collaborating with suppliers to meeting with customers.

H&M Group has a long tradition of transparent reporting, supply chain disclosure, and helping its customers to make more informed choices. H&M Group is committed to continually improving the comparability and quality of the data, systems and calculations it uses, together with industry partners and all relevant stakeholders. H&M Group's commitment to transparency is set out in more detail in the sustainability report, see page 52 in the annual and sustainability report 2024. In the sustainability report the group's sustainability governance is also further described.

H&M Group brings together over 138,000 employees across the world. We have around 4,200 stores in 79 markets, with online services in 60 markets, and our brands engage with stakeholders via various digital marketplaces and external platforms. Our tier 1 and 2 production supply chains contribute to the employment of more than 1.4 million people, spread across more than 1,600 manufacturing and final product processing units (collectively called supplier factories) in 47 countries.

Since 2013, we have published our supplier list. For more information about H&M Group, its organisational structure and group relationships, see our website and our annual and sustainability report.

Revenue in reporting year (NOK)

3 408 590 000

Number of employees

3 015

Is the enterprise covered by the Transparency Act?

Yes

Major changes to the enterprise since last and current reporting period

Contact person for the report (name and title)

Marcus Hartmann Head of Public Affairs & Sustainability Region North

Email for contact person for the report

marcus.hartmann@hm.com

Supply chain information

General description of the enterprise's sourcing model and supply chain

Our value chain includes the activities required to design, manufacture and sell our products. As a global company, we recognise that we have an impact on many stakeholders across our value chain. Through our own operations we have an impact on our employees, customers and business partners, and we are committed to acting with respect towards all people we engage with. Our own operations include the in-house design teams, our in-store services, and the online sale and distribution of clothes, accessories, footwear, cosmetics and homeware sold through our unique brands.

Our upstream value chain includes the sourcing, processing, production and transportation of materials and input goods such as cotton and wool required to produce our goods. Like most fashion brands, we do not own any factories, but instead we work with independent manufacturers to produce our goods sold. A large part of our negative environmental impact occurs in our upstream value chain, particularly during textile manufacturing processes, which are resource intensive. Our upstream business activities also have a large impact on workers in our supply chain employed at different production facilities, as well as on people living in communities affected by the sourcing and processing of raw materials and natural resources used to produce our input materials.

Our downstream value chain includes the use, reuse, resell, recycling and disposal of clothes, textiles and homeware. Along our downstream value chain we have an impact on our customers and the communities we operate in as well as the environment through resource outflows and the generation of waste. Through our investment arm, H&M Group ventures, we continue to explore new business models and partnerships with the aim to reduce our environmental negative impact and improve our customer offering.

Our products are at the centre of our business model and everything we do, to ensure we offer the best combination of fashion, design, quality and sustainability at affordable prices. Therefore, we aim to build a resilient business and value chain that supports the transition towards a sustainable fashion industry.

Our supply chain in numbers:

- * We do business with over 570 commercial product suppliers who manufacture products for our brands in over 1,100 tier 1 factories in Europe, Asia and North America. Figure correct as of December 2024.
- * China and Bangladesh are the largest production markets for clothing.
- * The European Union is the largest production market for our beauty assortment.
- * Average length of a supplier relationship is 9 years, but we have been doing business with some for over 19 years. Consecutive data only available from 2006.
- * Around 1.4 million people are employed by the tier 1 and 2 supplier factories we work with, 61% of them are female. Figure correct as of December 2024
- * Around 0.12% of workers in our tier 1 and 2 factories are migrants.
- * We operate 15 local production offices, employing over 1,600 colleagues who work with our suppliers daily.
- * 37% of tier one factories have trade union representation. Verified SLCP data from 2024. Figure correct as of December 2024.
- * 698 tier one factories reported that worker representatives are freely chosen by the workers.

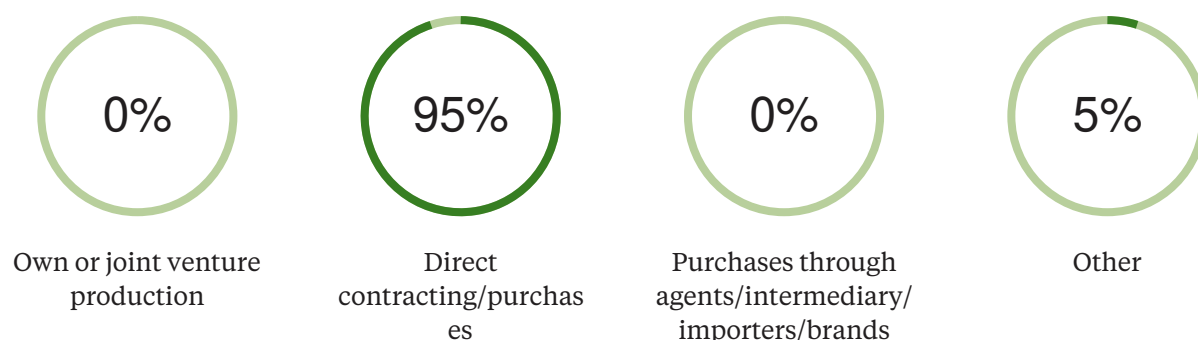
Number of suppliers with which the enterprise has had commercial relations in the reporting year

570

Comments

We are committed to building strong, long-term relations with our suppliers that are based on mutual trust and transparency.

Type of purchasing/ suppliers relationships



The majority (more than 95%) is sourced directly. A small share of our sourcing volume (less than 5%) comes from external brands that are sold through our channels and circular business models, like re-sell.

List of first tier suppliers (producers) by country

See our full supplier list here: <https://hmgroup.com/sustainability/leading-the-change/transparency/supply-chain/>

Our supplier list discloses the details of our tier 1 suppliers and their manufacturing and processing factories, accounting for 99% of the products we sell.

The list also includes the names and locations of tier 2 mills that provide our suppliers with fabric, including tanneries and fabric dyeing and printing. We are working towards disclosing 100% of the fabric dyeing and printing locations involved in making our products.

As participants of the Transparency Pledge we share the name, address, product type produced and number of workers employed at the factories. We also publish how long we have been working with the supplier, percentage of female workers, number of elected worker representatives and trade union presence.

We update this supplier list monthly. Trade union data in supplier list collected by industry assessment tools and updated yearly.

State the number of workers at first tier producers

Number of workers

1 030 385

Comments to number of workers

There are around 1.4 million workers employed by our tier1 and tier2 suppliers.

Key inputs/raw materials for products or services and associated geographies

BCI cotton	Brazil India Pakistan Turkey USA
Organic cotton	India Pakistan Turkey
Synthetic fibre (Polyester, Polyamid, Acrylic etc.)	Bangladesh China Indonesia India South Korea
Cellulosic fibre (Viscose, Modal, Lyocell etc.)	Austria China Germany Indonesia India Thailand
Bast fibre (Linen)	Belgium China France Netherlands
Wool	Argentina Australia New Zealand Peru South Africa

Choosing the right materials is key to reducing our negative impact on people and the planet and improving resilience. Each material we use comes with its own set of challenges and risks. We set material targets by evaluating the risks, impacts, and availability of recycled or sustainably sourced material alternatives and by considering the sustainability criteria set by external organisations such as Textile Exchange. Our overarching material target is to use 100 percent recycled or sustainably sourced materials in our commercial products by 2030, ideally with at least half coming from recycled sources.

Reaching our targets starts with how we design our products and choose materials when planning our collections, and we focus on improving or finding alternatives to materials with the biggest negative impact.

Our products also need to be protected when travelling between our suppliers, distribution centres, stores and customers. We have set targets to reduce our plastic packaging volume by 25 percent by 2025, against a 2018 baseline, and use 100 percent recycled or sustainably sourced packaging materials by 2030.

We invest in innovative materials and processes, such as dyeing, printing and finishing, as well as recycling infrastructure. Additionally, we support scaling regenerative agricultural practices in cotton and wool

production and enhance technology to improve impact data and material traceability. Finally, we collaborate with our suppliers and the wider fashion industry to promote the production and sourcing of recycled and sustainably sourced materials.

To increase the availability and affordability of recycled and sustainably sourced materials, we support the development, testing and scaling of alternative materials and recycling infrastructure at various stages. We also collaborate with industry partners to drive wider adoption.

Cotton represents the largest share of our materials basket followed by polyester and man made cellulosic fibres.

Is the enterprise a supplier to the public sector?

No

Goals and progress

Process goals and progress for the reporting year

Process goals for coming year

1

We stay committed to our long term targets for 2030 and 2040. During 2025 we will continue to work towards these targets, and report the progress in upcoming Annual- and sustainability reports.

Our targets are to:

- Reduce absolute scope 1, 2 and 3 GHG emissions by 56 percent by 2030, against a 2019 baseline.
- Reach net zero by reducing absolute scope 1 and 2 emissions and absolute scope 3 emissions respectively by at least 90 percent by 2040, against a 2019 baseline, and balance out any remaining emissions with permanent carbon removal.

Supporting targets

To advance our progress we have also set supporting targets:

Own operations

- By 2030, achieve a 36 percent reduction in electricity intensity in our stores from a 2016 baseline
- By 2030, source 100 percent renewable electricity in our own operations, including ≥50 percent from power purchase agreements (PPAs) with new renewable electricity generation.

Supply chain

- By 2030, source 100 percent renewable electricity for our garment production supply chain, from spinning to a finished product (tier 1–3).
- By 2026, phase out on-site coal from all of our garment suppliers in tier 1, 2 and 3.

Water

Share of absolute reduction in freshwater consumption in tier 1 and tier 2 production factories from 2022 baseline, -10% by 2025 and -30% by 2030.

Social

We set targets for each of our material impact areas, including freedom of association (FOA) and collective bargaining, health, safety and wellbeing, discrimination, child labour and forced labour, compensation and benefits. These targets are communicated to all functions in our organisation to be acted on.



1

Governance and commitment to responsible business conduct

Embedding responsible business conduct means that the enterprise should have strategies and plan, as well as relevant policies and guidelines for due diligence for responsible business conduct (hereafter due diligence) which are adopted by management. These should comprise the enterprise's own operations, its supply chain and other business relationships. Effective management systems for implementation are key to success, and due diligence should be an integrated element in enterprise operations. Clear expectations from senior management are crucial, as well as clearly assigned responsibilities within the enterprise, for the implementation of the steps in the due diligence process. Those involved need to know how to proceed. Transparency about commitments the enterprise has for itself, challenges they are facing, and how these are managed is fundamental

1.A Policy for own enterprise

1.A.1 Link to publicly accessible policy for own enterprise

<https://hmgroup.com/sustainability/standards-and-policies/>

1.A.2 What does the enterprise say publicly about its commitments to respect people, animals, society and the environment?

All our policies, guidelines and other documentation related to this is published on our website <https://hmgroup.com/sustainability/standards-and-policies/>. Our standards and policies are critical to achieving our sustainability vision and goals. Where applicable, we base our policies and standards on international norms and recognised initiatives. Similar to ETN Code of Conduct this includes ILO Conventions and the UN Guiding Principles on Business and Human Rights. Our Sustainability Commitment follows the structure of the ETN Principles, and added to that our full list of policies in some instances go beyond the requirements of the ETN principles.

Policy statement human rights

We recognise our responsibility to operate with respect to human rights. Everybody deserves to be treated equally, and with respect and dignity. For us at H&M Group, respecting human rights is also about leading with our values and empowering people to be who they want to be.

Our commitment

At H&M Group, we are committed to operating with respect to human rights across our value chain – in our own operations, across our supply chains and in the communities where we operate. It's about what we do, and how we do it.

This commitment is set out in our Human Rights Policy and applies to all entities within the H&M Group. The policy gives an overview of our priorities, key stakeholders, accountability and how we implement our commitment. We base our approach on the UN Guiding Principles on Business and Human Rights.

We adopted our first Human Rights Policy in 2012 and over the last decade our strategies have evolved. We have learnt along the way and our business model and the context in which we operate have also changed. It is against this backdrop that we reviewed and updated our Human Rights Policy in 2020.

Governance

Our Board of Directors has adopted this Human Rights Policy on behalf of H&M Group. They have delegated the responsibility to implement the policy to senior operational executives that report to our CEO. The Head of Sustainability and Head of Corporate Governance oversee the overall implementation and report on progress and impact to the Board of Directors and the leadership team on a regular basis.

We focus our efforts on our salient human rights issues and we apply a risk-based approach. Every year we review our salient human rights issues with internal and external stakeholders to ensure their relevance and to prioritise efforts and engagement. Different functions and geographies carry out human rights risk and impact assessments, the outcomes of which form part of our corporate risk process.

Policy Statement Environment

H&M Group has an ambition to lead the change towards achieving a circular fashion industry with net-zero climate impact, while being a fair and equal company. We aim to grow our business in a way that decouples our financial growth and profitability from the use of finite natural resources and from GHG emissions.

We firmly commit to managing all business in a way that meets local, national and international regulations and good practice in order to prevent, mitigate and remediate negative impacts on the environment. At the same time, we acknowledge that legal compliance is not enough, and we use our size and scale to drive continuous improvement and amplify the speed and impact of transformation across the industry.

We adopt a value chain approach informed by the best available science and careful consideration of social aspects and human rights implications in all environmental policies and strategies. Our efforts are focused on where we have most significant impact on the environment across our value chain.

We regularly review our material issues together with internal and external stakeholders to ensure their relevance and to define prioritised efforts and engagement.

We allocate resources and work to identify, test and scale innovative business models, materials and production processes that have the potential to transform our industry. We engage with policymakers and international institutions to influence legislation in support of systemic and meaningful change

Policy details include the following areas:

- Climate
- Water
- Land
- Biodiversity
- Chemicals
- Resource use and circularity
- Waste
- Materials
- Animal Welfare

Connected policies and procedures are:

Governance

- H&M Group Corporate Governance Policy
- H&M Group Risk Management Procedure

Due diligence in Our Operations and Supply Chains

- H&M Group Responsible Business Conduct Due Diligence Policy
- H&M Group Responsible Business Conduct Due Diligence Procedure
- H&M Group Responsible Business Conduct Tools
- H&M Group Business Partner Sustainability Commitment
- H&M Group Human Rights Policy
- H&M Group Due Diligence Procedure

Climate and Nature

- H&M Group Climate Transition Plan
- H&M Group Chemical Restrictions
- H&M Group Water Management Procedure

Resource Use and Circularity

- H&M Group Material Vision
- H&M Group Animal Welfare Procedure
- H&M Group Material Benchmark
- Responsibly sourced materials at H&M Group
- Sustainably sourced materials - definitions and reasoning

1.A.3 How has the policy/commitment been developed and how is it embedded in the enterprise?

Our human rights policy guides our work and sets out our commitment to operate with respect to human rights.

Due to the nature of our business, we focus primarily on working conditions of colleagues in our operations and workers in our global manufacturing supply chains. Our salient issues inform our priorities. As well as general

labour rights, wages and modern slavery, they cover topics such as access to water and sanitation, reflecting impacts we may have on communities.

We follow a risk-based approach to due diligence and adjust our actions accordingly across our value chain. This includes policy development and integration, strengthening of grievance mechanisms, training and capacity building, strategy development, collaborations in industry initiatives, and other ways to manage risk.

Although we do not employ the garment workers who make our clothes, it is our responsibility to ensure they have safe, fair and equal working conditions. We've been working with our manufacturing suppliers for many years to make sure they comply with international labour standards and, in 1997, we launched our first Code of Conduct and supplier audit program. Today, our approach to supply chain management has a big focus on collaborations and continuous improvement.

We also want to find ways to advance human rights through the way we do business. For example, through our work with suppliers to advance gender equality in our manufacturing supply chain or our focus on inclusion & diversity within our operations.

As a global company with strong values, we can have a positive impact around the world, which in turn allows us to remain a sustainable business and to grow in meaningful ways that make a real difference to people across our value chain.

Governance and integration

Policy integration: Our commitment to operating with respect for international standards is manifested in our corporate-level Human Rights Policy and reflected in operational-level policies and guidelines, which help us act with accountability and fulfill our obligations in practice.

Key operational-level policies include our Sustainability Commitment, which sets out our requirements for suppliers and business partners to respect human rights and the environment and to ensure good working conditions, our global Social Policies, which are the equivalent for our internal operations, and our Material Ethics policy.

Guidelines to further support our teams and business partners in how to respect human rights in their daily work include our Migrant Worker Guideline to secure fair recruitment of migrant workers, and our Responsible AI Framework, which is applied when developing new AI applications.

Governance and culture: Responsibility for implementation of our commitment to operate with respect to human rights is delegated to senior operational executives who report to our CEO. The Head of Sustainability and Head of Corporate Governance oversee the overall implementation and report on progress and impact to the Board of Directors and the leadership team on a regular basis. The work to develop reporting and steering to further integrate human-rights management in an effective and meaningful way is ongoing.

One of H&M Group's core values is "believe in people"; a key aspect of our corporate governance has, and will always be, that we trust our colleagues to make the right decisions. Raising awareness and ensuring that respect for human rights is embedded in our culture and values means providing colleagues with appropriate training and the right tools.

Training and awareness raising: Awareness raising and sense-making of what it means to operate with respect to human rights is key to effective integration. We provide basic human-rights training across our business, tailoring content for different functions and roles. Training includes a basic introduction to human rights, an outline of our responsibilities in line with the UNGPs, and key aspects of effective implementation. In-depth training and workshops are targeted at key staff and cover specific topics such as forced labour and application of remedy logic. A similar approach is being applied to suppliers and business partners.

For more info about our human rights management, see:

- Website - hmgroup.com/sustainability/fair-and-equal/human-rights/our_approach/

1.B Organisation and internal communication

1.B.1 How is the due diligence work organized within the enterprise, embedded in internal guidelines and routines?

H&M Group performs due diligence to identify and assess risks and impacts within its own business and with its business partners in relation to relevant external and internal requirements, based on need and as required within the company's business processes. We take a systematic approach to Human Rights and Environmental Due Diligence (HREDD) by continuously identifying, assessing, mitigating and remedying any potential and actual negative impacts on people or the planet, while leveraging opportunities to advance the rights of affected stakeholders. H&M Group's HREDD is also integrated into our corporate governance and risk management process to ensure that business decisions are made while considering the impact on affected stakeholders. This is valid for our global operations, as well as on our individual markets - including for H&M Norway.

The H&M group responsible business conduct (RBC) policy sets out the additional steps required for conducting an HREDD. This applies to our operations, value chain and the communities where we operate. H&M Group's HREDD process is based on OECDs Guidelines for Multinational Enterprises and the UN Guiding Principles and other relevant legislation, where applicable.

H&M Group carries out regular risk assessments to identify any risks to our business, financial position or performance. Our risk management process is set out by the corporate governance function and includes the identification and assessment of sustainability related risks to H&M Group. Our assessment is based on the analysis of events happening over the short-term (less than one year), medium-term (one to five years), and long term (five to fifteen years).

Responsible business conduct

Our responsible business conduct (RBC) Policy aims to ensure that we operate our business in a respectful and responsible manner regarding governance, human rights and the environment. These areas are regulated by law, international conventions, and voluntary frameworks. Key guidance on how to conduct responsible business is found in:

- Local legislation
- UN Guiding Principles on Business and Human Rights
- OECD guidelines for multinational enterprises

The RBC process is part of our human rights due diligence process and involves the following functions:

- Sustainability
- Supply chain – production
- Supply chain – logistics
- Supply chain – external brands
- Sales
- HM Group Ventures
- Own operations – office, stores and warehouses

Selected representatives within each function identify, report and manage risks throughout the organisation. Read more about the RBC process in our RBC policy.

Due diligence processes

Materials risk assessment

We continuously strengthen our risk assessment of materials used in our products to integrate human rights risks more comprehensively. This assessment is conducted for all materials. We engage with key external stakeholders to inform evolving standards, with a focus on both environmental and social considerations.

Due diligence on potential business partners

All business partners must sign our sustainability commitment and our code of ethics. When evaluating a new supplier, we communicate these requirements early in the process to create a common understanding and shared ambition. These requirements span issues such as corruption, non-transparency, Fundamental Principles of ILO at work (child labour, forced labour, freedom of association, discrimination and safe and healthy work

environment), working conditions including wages, environmental practices. We also review public to check if any disputes have been registered.

Supply chain mapping and traceability

Supply chain mapping is a pre-requisite for meaningful due diligence. Since 2013, we have published our supplier list, which today includes both manufacturing and material production suppliers. For upstream suppliers of raw materials, we have oversight of the countries of origin, enabling us continuously identify risk hotspots. We also collaborate with others to establish approaches to prevent, mitigate and remedy risk.

Supply chain management and monitoring

We strive for strong long-term relationships that are based on trust, transparency and a joint commitment to due diligence.

We must know where our products are manufactured to ensure that our standards and sustainability requirements are met. Therefore, the use of unauthorised subcontracting to units not audited and approved by H&M Group is strictly forbidden.

For our suppliers of commercial and non-commercial goods, we use a system of risk-based audits and our sustainable impact partnership programme (SIPP) to monitor compliance and performance. Through SIPP we ensure all suppliers meet our minimum requirements, and we support our tier 1 and 2 suppliers to progress on our sustainability goals. SIPP includes: a minimum requirements assessment, a self-assessment – using the Cascale Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM), and verified by a third party – capacity building, grievance mechanisms, and incident management. Facilities outside of the Higg Index scope are covered by annual minimum requirement assessments, performed either by our internal team or by a certified third party.

Read more about SIPP and our supply chain management programme in our annual and sustainability report.

Our suppliers of non-commercial goods (NCG), services and logistics are also regularly monitored to confirm compliance with our sustainability commitment. NCG suppliers are enrolled in our assessment method called SIPP. All warehouses and logistics operations also have regular assessments based on the country risks. These assessments are tailored for warehouses based on the risks including child labour and forced labour together with Fundamental Principles and Rights at Work of ILO. Business functions drive these assessments and oversee the assessments and actions taken by the partners.

1.B.2 How is the significance of the enterprise's due diligence work defined and clarified for the employees through their job description (or the like), work tasks and incentive structures?

The sustainability director is responsible for setting the sustainability strategy which is integrated into our business idea and implemented on throughout H&M Group by the different functions. H&M Group's corporate governance structure encompasses the shareholders, the board of directors, the audit and nomination committees, the company's auditors, the CEO and the executive management team, individual business areas organised by brand, employees and employee organisations.

Our policies clarify the expected behaviour and output of our actions as a company and related expected behaviour from us as colleagues and external companies providing services to the H&M Group. They explain our strategic perspective for a certain topic, guide decision making and provide insight in why our standpoint is important.

Our aim is to secure that all of us working in the H&M Group have the knowledge about the Code of Ethics that we need to comply with it in our daily work. The mandatory CoE E-learning should be conducted within the first 3 months of employment. After that the training is completed on a yearly basis.

The company's ethics program is designed to help every employee live up to these values.

Everyone working at H&M Group is responsible:

* To understand the content of H&M Group's Code of Ethics.

* To comply with the Code in your daily work.

1.B.3 How does the enterprise make sure employees have adequate competence to work on due diligence for responsible business conduct?

H&M Group employees are continuously trained in our company values and policies, including those related to human rights. Specific e-learning courses on sustainability - related themes are also available to our employees and include modules developed by the Mekong Club on forced labour.

We have provided our colleagues trainings and work - shops to refresh their knowledge on our policies and guide - lines on forced labour and child labour and to build their capacity on these topics further. These colleagues are social sustainability developers in charge of ensuring compliance with our sustainability requirements and social sustainability programme specialists leading programmes to improve social conditions in our supply chains. These programmes include global initiatives promoting workplace dialogue and wage management systems as well as locally developed and led programmes such as those focusing on women's career and development in Türkiye, or health and wellbeing in Indonesia.

We also started training employees in 2024, using our new learning platform to deliver the trainings and provide regular updates.

General trainings and awareness raising include:

- Introduction to business and human rights
- Enabling remedy workshops
- Responsible purchasing practices
- Introduction to code of ethics

Topic specific trainings and awareness raising include for example:

- Circular design and how to use our circular design tool
- I&D through our Layers workshops
- Introduction to forced labour and fair recruitment

We are constantly reviewing and updating key modules for responsible business conduct and to even further formalize structures and approach for continuous learning.

1.C. Plans and resources

1.C.1 How are the enterprise's commitments to respect people, animals, society and the environment embedded in strategies and action plans?

It is of the utmost importance for H&M Group to always act ethically, transparently and responsibly across all parts of the business – from collaborating with our suppliers to engaging with our customers. This starts at board level and runs throughout our brands and operations. Our ambition is to establish a corporate culture that promotes ethical and responsible business conduct. H&M Group's risk management and internal control processes assure that we are compliant with relevant legislation and have control over our risk exposure. The executive management team, each brand, and every relevant group function reviews our business conduct risks on a quarterly basis. The board of directors and the audit committee receive regular feedback from the organisation concerning these processes. The responsibility for H&M Group's corporate culture and business conduct is stated in our corporate governance report.

Attached is our Climate Transition Plan -to be found publicly available here- with the strategy and plan to reach our SBTi approved targets - aligned with the Paris Agreement's goal of limiting global temperature rise to 1.5°C.

Targets in different areas:

H&M Group's GHG emission reduction targets

- Reduce absolute scope 1, 2 and 3 GHG emissions by 56 percent by 2030, against a 2019 baseline. 1
- Reach net zero by reducing absolute scope 1 and 2 emissions² and absolute scope 3 emissions² respectively by at least 90 percent by 2040, against a 2019 baseline, and balance out any remaining emissions with permanent carbon removals (Permanent carbon dioxide removals for use under the net zero standard have not yet been defined by the SBTi. Therefore, we are taking a conservative approach and only focus on those that have a durability of over 1,000 years)

H&M Group's supporting climate targets Own operations

- By 2030, achieve a 36 percent reduction in electricity intensity in our stores from a 2016 baseline. (This is an updated target, since we reached our 2030 target in 2023, we have increased the ambition in reducing electricity demand in our stores.)
- By 2030, source 100 percent renewable electricity in our own operations, including ≥50 percent from power purchase agreements with new renewable electricity generation. Our supply chain
- By 2030, source 100 percent renewable electricity for our garment production supply chain, from spinning to a finished product in tier 1, 2 and 3.
- By 2026, phase out onsite coal from all of our garment suppliers in tier 1, 2 and 3.

We set targets for each of our material impact areas, including freedom of association (FOA) and collective bargaining, health, safety and wellbeing, discrimination, child labour and forced labour, compensation and benefits. These targets are communicated to all functions in our organisation to be acted on. Targets, progress and actions related to workers and affected communities can be found in our Annual & Sustainability Report pages 90-102.

1.C.2 How are the strategies and action plans for sustainable business conduct followed up by senior management and the board?

The sustainability director is responsible for setting the sustainability strategy which is integrated into our business idea and implemented on throughout H&M Group by the different functions.

We integrate responsibility for climate action throughout the company to ensure accountability and transparency, and drive effective action. Accountability starts at board level and runs throughout our brands and operations.

- The board monitors our sustainability performance and initiates change where necessary, ensuring sufficient resource allocation.

- Sustainability performance, including progress towards climate targets, influences the CEO's remuneration.

- The Head of Sustainability and the executive management team are responsible for implementing sustainability strategies. The Head of Sustainability reports on sustainability key performance indicators biannually to the Board of Directors and quarterly to the CEO and CFO. Quarterly reports cover KPIs, key challenges, learning, activities, impacts and achievements across brands and markets.

The audit committee of the Board monitors the effectiveness of internal control and risk management, reporting regularly to the board of directors on the status of these processes.

1.D Partnerships and collaboration with business relationships

1.D.1 How does the enterprise communicate the importance of responsible business conduct in its business relationships?

All our policies and expectations on ourselves and our suppliers can be found here:

<https://hmgroup.com/sustainability/standards-and-policies/> and our Supplier Sustainability Commitment specifically can be found here: <https://hmgroup.com/sustainability/standards-and-policies/sustainability-commitment/>

We continuously engage with stakeholders across our value chain to ensure that material matters are identified, prioritised and incorporated into the company's business activities and procedures. Our interaction with key stakeholders include workshops and surveys to understand how they may be impacted by our value chain activities and their view on our mitigation actions. We work closely and regularly with our key stakeholders through our dedicated stakeholder engagement team, and we systematically integrate the feedback we receive into our strategies and priorities to ensure we deliver on our business idea. See details about how we collaborate with our key stakeholders in our Annual- & Sustainability Report.

Our Sustainability Commitment outlines our expectations. This includes compliance with minimum requirements and international standards, and the aspiration to go beyond compliance for lasting impacts. We require all suppliers and business partners to sign and adhere to our Sustainability Commitment and our Code of Ethics.

We monitor compliance and measure performance using our Sustainable Impact Partnership Programme (SIPP). We use SIPP to support suppliers in raising environmental and social performance while encouraging them to take ownership of their sustainability agenda. SIPP includes:

- Minimum requirements. Assessments for new suppliers and ongoing follow-up checks. — Self-assessment and validation.
- Self- assessment through tools including the Sustainable Apparel Coalition's (SAC) Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM), verified by a third party.
- Capacity building. Identifying priority areas and setting goals for improvements. Actioned through targeted support or wider topic-based programmes.
- Grievance mechanisms and worker voice. Ensuring effective opportunities for workers to report concerns and have their voices heard.
- Dealing with incidents. Recording and investigating potential incidents. Following up confirmed non-compliance cases with a letter of concern and corrective action plan

Indicator

Percentage of the company's suppliers that have accepted guidelines for suppliers



1.E Experiences and changes

1.E.1 What experiences have the enterprise encountered during the reporting period concerning responsible business conduct, and what has changed as a result of this?

In 2024, over 600 factories were evaluated in our annual assessment of labour rights and grievance mechanisms, and 164,818 workers responded to our worker survey. 96 percent of participating workers reported they know how to file a grievance and would use this channel. However, for female workers the positive response rate was significantly lower than for their male coworkers. Most grievances are related to health and safety, personnel related issues (including conflicts with colleagues or supervisors) or wages and benefits. Over 50 per cent of the grievances received were solved within 24 hours.

During the year, we increased access to grievance mechanisms by rolling out digital tools in Mainland China, Vietnam and Myanmar, reaching 27 suppliers and 28,000 workers. In addition, we conducted training sessions on social dialogue as a tool for improving grievance mechanisms and access to remedy through our workplace dialogue program. In total 465 factories are enrolled in the programme reaching over 775,000 workers.

* We have worked on occupational health and safety (OSH) for years. We recognise that for ongoing compliance and for promoting a strong safety culture, effective OSH management systems – such as OSH committees, annual risk assessments or trainings – are essential. Going forward, we will increasingly support our suppliers to take responsibility for these systems.

* We continue to improve wage management systems in factories, focusing on strategic suppliers or factories with the highest risks. In addition, we strengthen our purchasing practices focusing on internal monitoring.

* 4 percent of factories covered in our annual labour rights assessment did not have any form of worker representation. We will assess the situation more carefully to understand the root causes and set a strategy to address them.

* Over 60 percent of the assessed factories record their grievances in a non-digital manner which makes it difficult to follow up and analyse data. We will continue to encourage factories to offer more grievance channels to their employees and to record their grievances digitally. Based on our assessment, helping key suppliers create plans to improve their grievance mechanisms has made their systems more effective.

When applying a gender lens to the results of the worker voice survey, we can see that the responses from female workers are less positive compared with their male colleagues. We will use the insights to shape our gender equality strategy. At the same time, female representation has increased in trade unions and bipartite committees. The ratio of women supervisors has increased in many factories involved in women leadership programmes. However, challenges such as social norms, domestic responsibilities, and demanding work in supervisory roles remain. In the future, we will adopt a risk based approach to focus on facilities with the highest risk of discrimination and gender based violence and harassment.

* We are launching a new research collaboration to identify the gender pay gap and career transition challenges in factories in India, Bangladesh and Pakistan, while evaluating interventions to promote women's career advancement.



2

Defining the focus for reporting

Identify and assess the enterprise's impact on people, animals, society and the environment

“Identify and assess” is about identifying the enterprises's risk for, and actual negative impact on, people, animals, society and the environment, including in the supply chain and through business relationships. As a first step the enterprise should get an overall risk picture, before subsequently prioritising further mapping and measures where the risk of negative impact is the greatest, i.e. salient issues. The enterprises's involvement in the negative impact on people, animals, society and the environment is central to determine which measures the enterprise should implement in the next step of the due diligence model. Involvement of stakeholders, especially those affected, is central when assessing risks. It is also important to consult with stakeholders when implementing measures to manage the negative impact.

2.A Mapping and prioritising

PRIORITISED ACTUAL OR POTENTIAL NEGATIVE IMPACT ON PEOPLE, ANIMALS, SOCIETY, AND THE ENVIRONMENT

Prioritising one or more risk areas on the basis of severity does not mean that some risks are more important than others, or that the company should not take action on other risks, but that risks with the greatest negative impact are prioritised first. Mapping and prioritisation are a continuous process.

2.A.1 List prioritized significant risks and/or actual negative impacts on people, animals, society and the environment.

Salient issue	Related topic	Geography
Health, safety and wellbeing of employees, workers and customers across the value chain, such as safe and healthy working conditions, store safety and product safety. This includes protection from gender-based violence (GBV) and any other form of physical, sexual, psychological, or verbal harassment or violence occurring during, linked with, or arising from work.	Occupational Health and safety	Global
A person's right to join, and/or form trade unions of his or her own choosing and to bargain collectively. An enabling right for other labour rights.	Freedom of association and collective bargaining	Global
Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development – i.e., is mentally, physically, socially or morally harmful to children; interferes with their schooling by depriving them of the opportunity to attend school; obliges them to leave school prematurely; or requires them to attempt to combine school attendance with excessively long and heavy work.	Child labour	Global
All work or service that is exacted from any person under the threat of a penalty or for which the person has not offered himself or herself voluntarily. Indicators of forced labour include unreasonable fees leading to debt bondage, deception, restriction of movement, isolation, abuse of vulnerability, physical and sexual violence, intimidation and threats, abusive living and working conditions, wage withholding, excessive overtime, and retention of personal documents.	Forced labour	Global

Wage levels for a regular work week to be sufficient to meet basic needs for the worker and their families and provide some discretionary income. Minimum wage in some countries where we have operations might not be equivalent to a sufficient wage level. Workers could therefore be living off a salary not sufficient for a basic living standard. These circumstances could also increase the risk of excessive overtime work which connects to workers' rights to health, rest and family life.	Wages	Global
Access to healthcare, insurance and income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of income. A responsibility dependent to a large extent on legal frameworks and institutional capacity of a market. Recognised employment is often a precondition for access to work-related social security benefits and protection.	Occupational Health and safety	Global
Discrimination or unequal treatment on the grounds of gender, sexual orientation, race, colour, age, pregnancy, marital or social status, religion, political opinion, nationality, ethnic origin, disease or disability. This includes equal remuneration for equal work and other aspects of equal treatment at work including discrimination in the form of gender-based violence and harassment (GBVH) against women, directed towards a woman because she is a woman or that affects women disproportionately.	Harsh and inhumane treatment	Global
Industries can be a contributor to water pollution and water scarcity, which is why safeguarding wastewater treatment and reducing water use are essential to ensure access to clean water and sanitation in neighbouring communities.	Water	Global
A safe environment will focus on the protection of the environment as a non-harming environment for human beings. Causing air pollution will impact both workers' and local communities' health. Air pollution reduces quality of health and lowers life expectancy	Environment Emission	Global
Access to land, forest and water can be a source of livelihood and sometimes important for the enjoyment of social and cultural rights. Operations and the use of natural resources should not contribute to destruction and/or degradation of the resources and income base for communities, nor should there be any illegal taking of land, forests or water or illegal eviction of groups of people for reasons of development or use of these resources.	Marginalized populations Environment	Global
The right to privacy is the right to keep one's personal matters and information out of the public domain and government interference. The right to privacy is essential to human dignity and the protection of our autonomy, dignity and personal identity.		Global

JUSTIFICATION FOR THE PRIORITISATION OF RISKS OF NEGATIVE IMPACT ON PEOPLE,

ANIMALS, SOCIETY, AND THE ENVIRONMENT

2.A.2 Describe: a) the enterprise's routines for mapping and identifying risk and show how the negative impact was identified and prioritized b) activities or sections of the enterprise not covered in this report , if any (product groups, own products, departments etc.), and why c) how the information was gathered, what sources were used, and which stakeholders have been involved d) whether you have identified areas where information is lacking, and how you are planning to proceed to collect more information about this.

We believe all people deserves to be treated equally, with respect and dignity. By proactively working on addressing and minimising potential adverse human rights impacts, we avoid infringing on the rights of the people we engage through our operations and business activities. At H&M Group, respecting human rights is also about leading with our values and empowering people to be who they want to be, and we provide basic and specific human rights trainings, tailoring the content of these trainings to different functions, roles and business partners.

H&M Group continuously engages with affected stakeholders, including workers in the value chain, as part of our due diligence process. For most of our sourcing markets we have teams on the ground to evaluate human rights impact and engage with rightsholders or their representative. Through our Global Framework Agreement with IF Metall and IndustriALL Global Union, we consult with global trade unions and their local affiliates to identify and assess risks and collaborate on mitigation plans and, in some cases, provide remedy. We also collaborate with the ILO's Better Work on country programmes in Bangladesh, Cambodia (Better Factories Cambodia), Indonesia, Pakistan and Vietnam. These programmes include assessments, training, advocacy and research in order to change policies, attitudes and behaviour. We have partnered with several organisations including the International Organization for Migration, the Mekong Club and the Centre for Child Rights and Business to guide us in identifying, mitigating and remediating child and forced labour in our value chain. In addition, we consult on a regular basis with relevant local and global stakeholders, such as civil society organisations, suppliers, researchers, peer groups and unions

Our human rights due diligence process

In order to fulfill our commitment to respecting human rights across our value chain, we have established a human rights due diligence process to continuously identify, prevent, mitigate, track and account for actual and potential adverse impacts on human rights arising in our own operations, supply chain, and from other business relationships. Our RBC policy outlines our sustainability due diligence process.

We base our approach to human rights and due diligence on the internationally recognised guidance set out in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Our work is aligned with fundamental human rights as stated in the Inter - national Bill of Human Rights and International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, as well as various other UN Conventions such as the United Nations Convention on the Rights of the Child and the United Nations Convention on the Elimination of Discrimination against Women. Regardless of where we operate, we do it with respect for human rights and ensure compliance with national law and international labour standards.

The tools and data we use includes, but are not limited to - Maplecroft and World Bank's Governance indicators for country risks - including Norway. Adding to this we also monitor resources such as Freedom House, the Danish Institute for Human Rights, US Department of State and the Higg Brand & Retail Module Guidance.

Salient human rights issues

The UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct refer to the severity and likelihood of adverse human rights impacts on people that a company can cause, contribute to, or to which they are linked. In other words, it is an outward-facing approach focused on risk to people connected to a company's operations and value chain, as well as the products or services it sells.

Salient human rights risks are those human rights at risk of the most severe or likely actual or potential adverse impacts on people across the value chain. It is recognised that we may need to prioritise our due diligence efforts, based on our identified salient issues. This does not intend to disregard other issues that may occur, but

it helps us focus on the most important issues first.

Process for identifying our salient human rights issues

Identifying the human rights risks associated with business activities is the first critical step in preventing and mitigating harm to people. We have identified and assessed actual and potential adverse human rights impacts arising from our global operations and value chain as part of our ongoing human rights due diligence process.

The identification process is based on qualitative and quantitative information such as independent reports and information gathered from internal procedures and documentation. We have carried out consultations with potentially affected groups including workers and other relevant stakeholders to gather information on actual or potential adverse human rights impacts.

To help us focus on the most important issues first, we have carried out a salience assessment to prioritise our human rights impacts. We have engaged internal and external stakeholders to identify our salient human rights issues, and we perform an annual review to assess their continued significance.

External dynamics and internal business development continuously change a company's risk exposure over time. For H&M Group, internal shifts include a transition towards a more digital and circular business model. In line with this transformation, we place increased focus on safeguarding the right to privacy through efforts in data privacy, personal data management and secure storage, robust data security practices, and ensuring the ethical use of Artificial Intelligence (AI) and data-driven digital technology.

From an external perspective, the trend of political instability could lead to challenges to uphold human rights, calling for special consideration in due diligence.

In addition to our annual review, different functions, markets and geographies carry out human rights risk and impact assessments, the outcomes of which inform the review of our salient human rights issues and due diligence process.

Ongoing human rights risk analyses and assessments

- Risk assessment in production markets. Selected production markets have established heat maps of human rights-related issues based on severity and likelihood, to indicate where extra attention is needed. This informs our market strategies and goal-setting process.
- Risk assessment by business functions. Business functions include Retail (Construction and Facility Management) and Logistics (Warehouses and Transport) which assess their sustainability risks, including risks to human rights, on a regular basis through assessments at their partner facilities to inform the existence and adequacy of prevention and mitigation plans.
- Risk assessment of materials. Risk analysis is done for new materials and on a regular basis for our highest volume materials. As the extraction and production of raw materials takes place several steps back in our supply chain, our main strategies to preventing and mitigating risks are focused on engagement in certification schemes, standards and various industry collaborations.

To make sure we focus our efforts on the most important issues first, we review our salient human rights issues on a yearly basis and whenever changes in our operations occur, to ensure the issues remain relevant and are aligned with our priorities. In the yearly review of our salient human rights issues in 2024, we have gained an increased granular view across geographies and different parts of our value chain through internal assessments, which has informed our impact materiality.

Based on this we will work towards enhanced integration of human rights management across our operations and business relationships through adequate steering and governance.

For our operations in Norway the following salient risks are present, but all assessed as LOW and handled within our normal operations and in dialogue with our suppliers when relevant:

1. Wages and compensation
2. Working Hours
3. Forced Labour
4. Access to Water

- 5. Discrimination & Equal Treatment
 - 6. Child Labour
 - 7. Land Rights & Livelihoods
 - 8. Health, Safety & Wellbeing
-

ADDITIONAL SEVERE IMPACTS

2.A.3 Describe other risks of negative impacts on people, animals, society and the environment that were identified but not prioritized, and how these have been handled.

No other salient risks have been identified.



3

Management of salient issues

Cease, prevent or mitigate negative impacts

“Cease, prevent and mitigate” is about managing findings from the risk assessment in a good way. The most salient negative impact on people, animals, society and the environment should be prioritised first. This does not mean that other risks are insignificant or that they are not handled. The way the enterprise is involved in the negative impact is key to taking the appropriate action. Negative impact that the enterprise causes or contributes to must cease, be prevented and be reduced. To address negative impact directly linked to the enterprise, e.g. in the supply chain, the business must use its leverage to influence the entity causing the negative impact to cease, prevent or mitigate it. This involves developing and implementing plans and routines to manage risk and may require changes to the enterprise’s own policy documents and management systems. Effective management of the negative impact on people, animals, society, and the environment is a major contribution to the achievement of the Sustainable Development Goals (SDGs).

3. A Cease, prevent or mitigate

3.A.1 Describe goals and progress status for the measures you have implemented to reduce the enterprise's prioritized negative impact

	Health, safety and wellbeing of employees, workers and customers across the value chain, such as safe and healthy working conditions, store safety and product safety. This includes protection from gender-based violence (GBV) and any other form of physical, sexual, psychological, or verbal harassment or violence occurring during, linked with, or arising from work.
Goal :	1. Increase % of tier 1 apparel, accessory and home textile factories H&S committees in place to 96% by 2023 (86% in 2021).
Status :	Target reached 97 % in 2023. For more information, see our: - Sustainability disclosure p. 62
Goals in reporting year :	All workers have the right to a safe and healthy workplace. This is clearly outlined in our Sustainability commitment and our Global Framework Agreement with IndustriALL Global Union and IF Metall. We aim to have no fatalities and no accidents in our value chain. To achieve this aim, we assess working conditions in supplier factories using both our own and third-party assessments and monitor data from supplier factories.

Describe already implemented or planned measures :

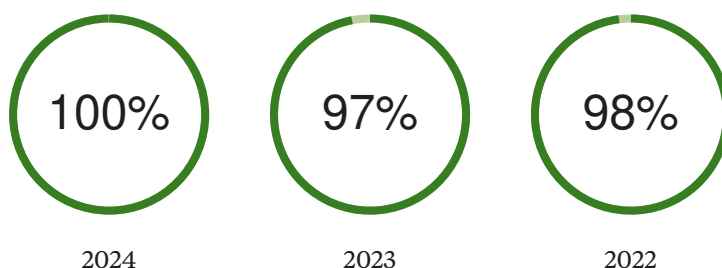
We also monitor the share of tier 1 and tier 2 factories that have health and safety committees. In addition, we raise awareness on the topic internally by continuously training colleagues in production offices. When health and safety violations occur, we work with suppliers and, where possible, affected stakeholders, to ensure that all rights are respected, and that corrective action plans are implemented correctly. We also work with the ILO's Better Work on programmes in Bangladesh, Cambodia (Better Factories Cambodia), Indonesia, Pakistan and Vietnam. These programmes include assessments, training, advocacy and research in order to change policies, attitudes and behaviour.

Our actions include the development of a new guideline for occupational health and safety that has been reviewed by Better Work, the ILO, IndustriALL Global Union and IF Metall to support our business partners in maintaining health and safety standards. We have also conducted training for National Monitoring Committees (NMC) and H&M Group's production office and logistics staff in Türkiye, Indonesia, India, Bangladesh, Cambodia, China and Vietnam. We continue our commitment with the International ACCORD as well as the Readymade Sustainability Council (RSC) in Bangladesh.

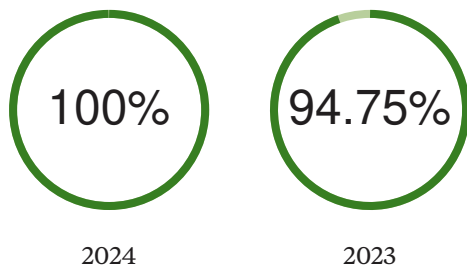
Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

Indicator

Share of tier 1 production factories with Health & Safety Committees



Share of tier 2 production factories with Health & Safety Committees



	A person's right to join, and/or form trade unions of his or her own choosing and to bargain collectively. An enabling right for other labour rights.
Goal :	<p>1. 100% NMC members (H&M Group and trade union representatives) in India, Bangladesh, Turkey, Cambodia, Indonesia and Myanmar trained on relevant curricula (e.g gender based violence, case handling and access to remedy) by 2022.</p> <p>2. Evaluate functioning of existing Collective Bargaining Agreements by 2022.</p>
Status :	<p>We support the right to freedom of association and believe that strong industrial relations contribute to resilient, stable supply chains and decent work. We work with suppliers to increase democratically elected worker representation and to empower workers to know their rights.</p> <p>For more information on our work to support social dialogue and collective bargaining agreements, see our sustainability disclosure.</p>
Goals in reporting year :	We want workers to feel safe at work and be treated with respect and dignity, and that their rights to freedom of association and collective bargaining are respected.

Describe already implemented or planned measures :

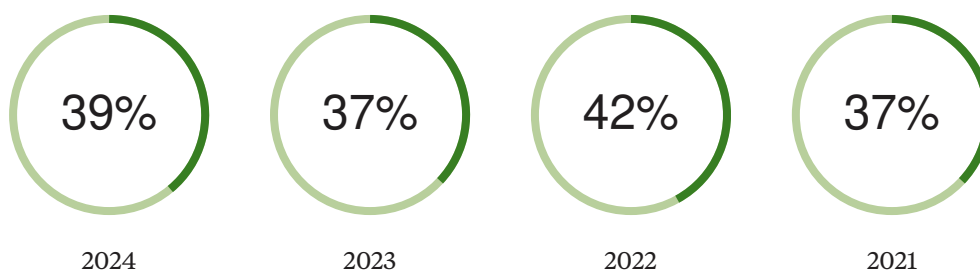
In 2024 we had an in-person global NMC meeting for the first time since 2019. Coming together in person is essential to build trust and increase knowledge of each other's respective organisations. We renewed our Global Framework Agreement (GFA) with IndustriALL Global Union and IF Metall. Key updates include a commitment to supply chain due diligence, an updated governance structure and a shared budget to strengthen industrial relations, as well as a commitment from H&M Group to facilitate trade union access to factories in cases of alleged violations.

Long-term improvements in working conditions and safeguarding human rights in our factories start with empowered workers who have a voice. We expect supplier factories to strengthen dialogue between management and worker representatives, including trade union representatives when a trade union is present. A major pillar to achieve the above is our GFA with IndustriALL Global Union and IF Metall (GFA). The GFA is implemented through NMCs in Bangladesh, Cambodia, India, Indonesia and Türkiye. These consist of IndustriALL Global Union affiliated unions and our own colleagues from production offices and serve as an additional grievance mechanism where workers can raise concerns directly with us and conflicts that could not be solved at the factory level. National Monitoring Committees also work pro actively to promote freedom of association and issues of joint concern

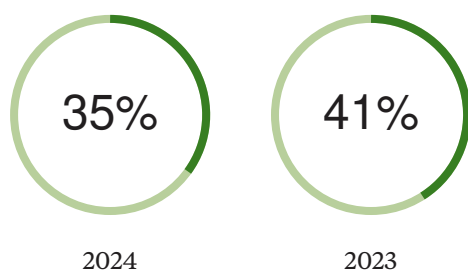
Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

Indicator

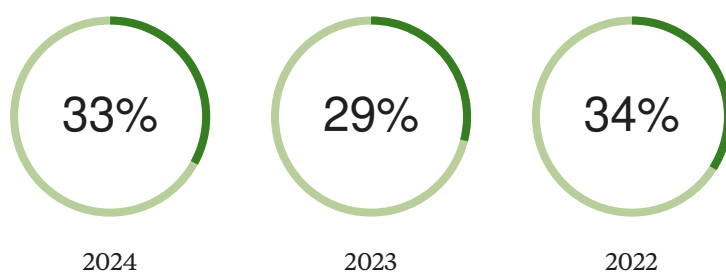
Share of tier 1 production factories with trade union representation



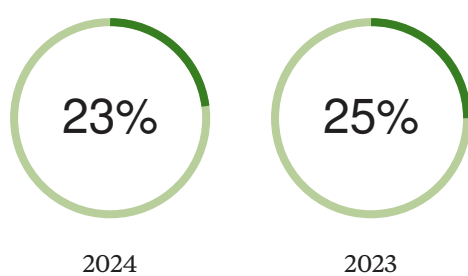
Share of tier 2 production factories with trade union representation



Share of tier 1 production factories with collective bargaining agreements



Share of tier 2 production factories with collective bargaining agreements



	Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development – i.e., is mentally, physically, socially or morally harmful to children; interferes with their schooling by depriving them of the opportunity to attend school; obliges them to leave school prematurely; or requires them to attempt to combine school attendance with excessively long and heavy work.
Goal :	We do not accept any form of child labour in our supply chain. This is clearly stated in our sustainability commitment. To underline the importance of this requirement, we have specific child labour case handling guidelines stating our standards and remedial action if the use of child labour is discovered.
Status :	
Goals in reporting year :	We do not accept any form of child labour in our supply chain. This is clearly stated in our sustainability commitment. To underline the importance of this requirement, we have specific child labour case handling guidelines stating our standards and remedial action if the use of child labour is discovered..

Describe already implemented or planned measures :

In tier 1 and tier 2 supplier factories, we manage the risk of child labour by monitoring working conditions through own and third-party assessments and improving grievance mechanisms. During minimum requirement assessments, a factory tour and worker interviews are conducted to detect potential child labour. In addition, we see that our strategy to increase wages in tier 1 factories can have indirect, preventive effects on child labour as higher wages in the family reducing the need for children to work.

We recognise that the risk exists in our industry, with higher risks in our raw material supply chain. We continuously strengthen our due diligence in raw material sourcing. We are participating in the multi-stakeholder collaborative project 'Harvesting the Future – Cotton in India' to improve the working and living conditions of cotton farmers and workers in two districts in Madhya Pradesh.

Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

	<p>All work or service that is exacted from any person under the threat of a penalty or for which the person has not offered himself or herself voluntarily. Indicators of forced labour include unreasonable fees leading to debt bondage, deception, restriction of movement, isolation, abuse of vulnerability, physical and sexual violence, intimidation and threats, abusive living and working conditions, wage withholding, excessive overtime, and retention of personal documents.</p>
Goal :	We do not accept any form of forced labour in our supply chain. This is clearly stated in our sustainability commitment.
Status :	
Goals in reporting year :	We do not accept any form of forced labour in our supply chain. This is clearly stated in our sustainability commitment.

Describe already implemented or planned measures :

In tier 1 and tier 2 supplier factories, we manage the risk of forced labour by monitoring working conditions through own and third-party assessments and improving grievance mechanisms. Specifically, our minimum requirements look at recruitment policies and processes and we require a document check. As stated in H&M Group's migrant workers fair recruitment and treatment guidelines, we have set a goal towards 'No worker pays for their work or right to work' by 2025. To achieve this goal, we are constantly investigating any recruitment fees paid by workers at factories and developing improvement plans to remediate any cases identified.

Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

	<p>Wage levels for a regular work week to be sufficient to meet basic needs for the worker and their families and provide some discretionary income. Minimum wage in some countries where we have operations might not be equivalent to a sufficient wage level. Workers could therefore be living off a salary not sufficient for a basic living standard. These circumstances could also increase the risk of excessive overtime work which connects to workers' rights to health, rest and family life.</p>
Goal :	We want workers to receive wages earned during normal working hours that meet the basic needs and discretionary income for workers and their families.
Status :	
Goals in reporting year :	We want workers to receive wages earned during normal working hours that meet the basic needs and discretionary income for workers and their families.

Describe already implemented or planned measures :

We want workers to receive wages earned during normal working hours that meet the basic needs and discretionary income for workers and their families. However, in many markets, including the ones we source from, the legal minimum wage is not sufficient to ensure a decent standard of living.

The key components of our wage strategy in our production supply chain are our programmes to facilitate functional wage-management systems in suppliers' factories, strengthening factory-level industrial relations and following responsible purchasing practices. We address and advocate for structural improvements in systemic issues including wage-setting mechanisms, such as collective bargaining and statutory minimum wage at country level, as well as improved social protection systems. We support efficiency improvements at factories, setting an efficiency roadmap together with our suppliers, where we reward with volume allocation both seasonally and in the long-term based on targets.

We have continued enrolment and support of implementation of the wage management system factory programmes together with our suppliers and factory management. We have signed a binding agreement with global union IndustriALL Global Union to support collectively bargained wages and improved working conditions in the garment, textile, footwear and travel goods industry in Cambodia. During the year we have actively engaged with Cambodian stakeholders, including industry employers' association TAFTAC and trade unions, as well as ACT brands and IndustriALL Global Union, to support the CBA process. Our agreement to facilitate the CBA process establishes a framework with commitments to signatory manufacturers related to purchase volume, labour costing and efficiency, and financial contribution to a joint skills training fund. The finalised collective bargaining agreement guarantees workers increased base wage, fixed duration contracts of a minimum of six months, an additional 10 maternity leave days and introduces paternity leave with full pay for the first time in Cambodia.

We monitor access to social protection in our suppliers' factories. Where necessary, we work with our business partners to strengthen workers' awareness about their rights to social insurance and benefits related to retirement, medical treatment, maternity and unemployment. We have continued our financial contribution to and our efforts to further develop the Employment Injury Scheme (EIS) Pilot in Bangladesh. This initiative was launched together with other brands in 2022 under the lead of ILO and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and covers roughly 4 million workers in the export-oriented RMG sector in Bangladesh. In case of work-related injuries it provides compensation payments for the affected. The monthly pensions are financed by voluntary contributions from international brands.

Within our own operations we focus on purchasing practices which enable suppliers to pay for the cost of labour. We have further strengthened our responsible purchasing practices and monitoring routines, integrating standard procedures with our business teams in production. Measures and accompanying indicators connect to each of our purchasing practices commitments and have been selected based on supplier priorities, identified risks and reflect our ambition for constant improvement with consideration to supply chain maturity and scopes

Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

We continued to see an increase in gross average wages for workers in our production supply chain, with relative improvement of the difference to minimum wages 2024 compared with 2023 in most of our major production markets.

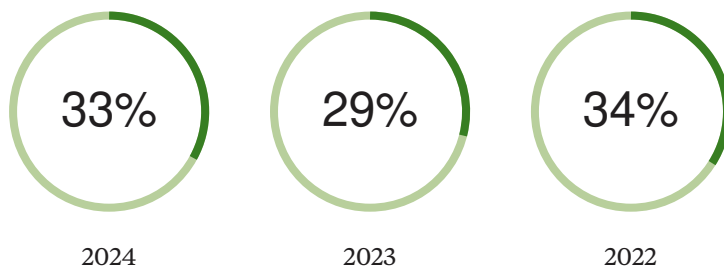
In Bangladesh, the difference still stood at 39 percent despite a statutory minimum wage increase of 47 percent in late 2023. The difference is expected to continue to grow in the coming years.

Mainland China suppliers experienced a decrease in demand, coupled with the global economic downturn, resulting in a reduction of total working hours. At the same time, the government implemented policies to raise the minimum wage to ensure a living wage for low-income workers as well as to keep pace with inflation.

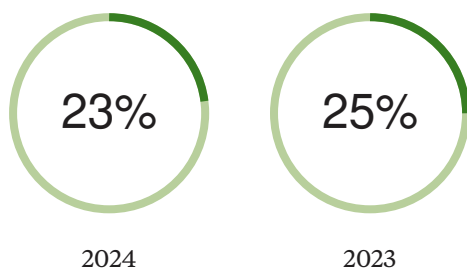
In India, the government revised the national minimum wage in 2024, with a 4–7 percent increase in minimum wages across the states.

Indicator

Share of tier 1 production factories with collective bargaining agreements



Share of tier 2 production factories with collective bargaining agreements



	Access to healthcare, insurance and income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of income. A responsibility dependent to a large extent on legal frameworks and institutional capacity of a market. Recognised employment is often a precondition for access to work-related social security benefits and protection.
Goal :	
Status :	
Goals in reporting year :	

Describe already implemented or planned measures :

All work performed must be based on a legally established and recognised contractual relationship, the nature of which shall not deprive workers of the rights arising from labour or social security laws. All workers (including self-employed) are entitled to a written contract or equivalent, in a language they understand, that specifies the mutually agreed terms and conditions. These conditions cannot be changed unilaterally by the employer during the terms of the contract. All legal limitations on the use of non-standard employment forms shall be followed. When non-standard employment forms are used which may pose challenges of unpredictable and insufficient hours of work and reduced earnings, workers shall not be restricted to also take up employment with other companies or platforms. When workforce is secured via labour agencies or where recruitment companies are being used, the employer is responsible for ensuring that these companies meet the requirements of this Sustainability Commitment.

Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

	<p>Discrimination or unequal treatment on the grounds of gender, sexual orientation, race, colour, age, pregnancy, marital or social status, religion, political opinion, nationality, ethnic origin, disease or disability. This includes equal remuneration for equal work and other aspects of equal treatment at work including discrimination in the form of gender-based violence and harassment (GBVH) against women, directed towards a woman because she is a woman or that affects women disproportionately.</p>
Goal :	<p>We want all women to be empowered, healthy and safe in their everyday working life. We want women to have equal participation, voice and leadership in social dialogue, including all worker representation forums. We want the number of women in leadership positions to reflect the proportion of women on staff. We want men and women to receive equal remuneration for work of equal value.</p>
Status :	
Goals in reporting year :	<p>We want all women to be empowered, healthy and safe in their everyday working life. We want women to have equal participation, voice and leadership in social dialogue, including all worker representation forums. We want the number of women in leadership positions to reflect the proportion of women on staff. We want men and women to receive equal remuneration for work of equal value.</p>

Describe already implemented or planned measures :

We have worked with women leadership programmes, to prepare women in supply chain tier 1 factories in several countries including Bangladesh, India and Türkiye. Through these programmes, women were empowered through training on gender equality, gender-based violence and harassment (GBVH), leadership skills and technical skills and were given the fair opportunity to be evaluated in the internal recruitment process, whenever there is a vacancy for a supervisory position.

In 2023 we introduced a GBVH guideline to our suppliers which provides practical information on how to prevent, identify and remedy any case of GBVH in the world of work. While developing this guideline, we have taken C190 and R206 as our basis and we worked with IndustriALL Global Union and experts on the topic. Together with our NMCs and selected suppliers we are conducting a joint gap analysis of their existing systems to prevent and ensure remedy to GBVH.

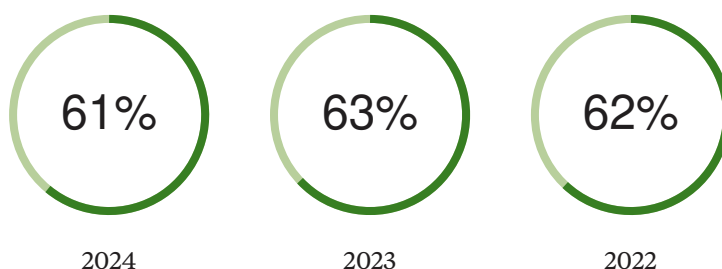
Gender based violence and harassment is a sensitive topic and we take the risk of it very seriously. To be able to identify and handle potential cases in the best way and also to guide the suppliers towards correct preventive and remedial actions, our teams need to have enough knowledge and competence on the topic. Therefore, we have provided refresher training on GBVH for sustainability teams. In addition, our suppliers have provided training on GBVH to their workers and supervisors. 472,664 female and male workers and supervisors have been trained during the year.

Together with UN Women India, we are founding members of the Textile Industry Coalition (TiC). The multi-stakeholder initiative brings together various actors, such as brands, manufacturers, government agencies, service providers, industry associations, trade unions, civil society organisations, and research institutions, to work towards a common goal of creating a safe and empowering work environment for women in the textile industry by promoting zero tolerance for sexual harassment and violence in the women-dominated textile sector of Tamil Nadu, India.

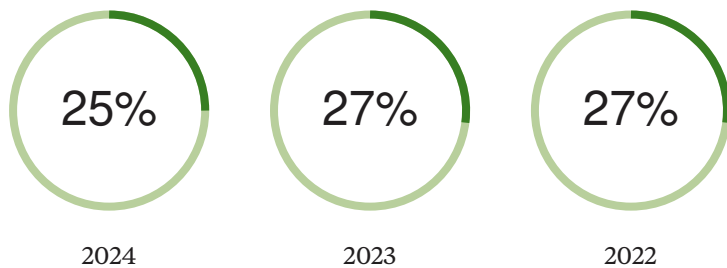
Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

Indicator

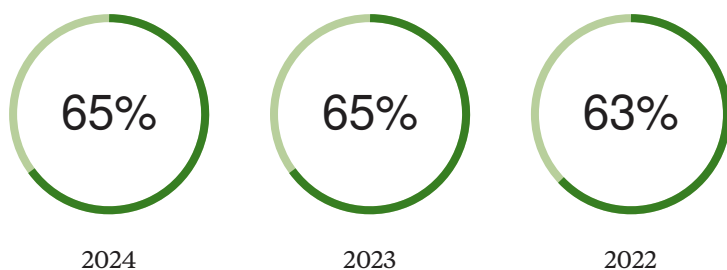
Share of workers in our tier 1 production factories that are female



Share of supervisors in our tier 1 production factories that are female



Share of worker representatives in our tier 1 production factories that are female



	<p>Industries can be a contributor to water pollution and water scarcity, which is why safeguarding wastewater treatment and reducing water use are essential to ensure access to clean water and sanitation in neighbouring communities.</p>
Goal :	<p>We have set a target to reduce absolute freshwater consumption by 30 percent by 2030, against a 2022 baseline, and a milestone target to reduce absolute absolute freshwater consumption by 10 percent by 2025.</p>
Status :	<p>See below.</p>
Goals in reporting year :	<p>We have set a target to reduce absolute freshwater consumption by 30 percent by 2030, against a 2022 baseline, and a milestone target to reduce absolute absolute freshwater consumption by 10 percent by 2025</p>

Describe already implemented or planned measures :

Wastewater discharge from factories in our supply chain is one of the material matters related to chemicals and water pollution that also have an impact on people living in affected communities. We require all our tier 1 and 2 suppliers to comply with national legislation and ZDHC standards for wastewater treatment and discharge water quality. We also require all supplier units with wet processes to have a functional Effluent Treatment Plant (ETP) in place. Although our relevant suppliers have made progress in improving wastewater quality, we recognise the need for systemic change beyond individual factories. We are committed to our water stewardship work with WWF to progress towards improving water quality at a basin level.

To prevent and mitigate material negative impacts on communities related to their access to water, we have taken action to engage with affected stakeholders, although these actions are not linked to any specific targets. We have, for example, performed roundtable discussions to engage with affected communities and their proxies such as Save the Children, Water Aid and Bangladesh Rural Advancement Committee (BRAC) to discuss the best possible approach to capture the needs and concerns of affected communities in Bangladesh, which could for example be negatively impacted by polluted water being discharged from textile and garment factories in our supply chain. We continue to screen which organisation that are best qualified to develop a method for capturing the needs and concerns of people living in communities we affect and depend upon. Once finalised, we believe this method can also be applied to other production markets and communities. Our plan is to identify mitigation actions together with partners to gain a deeper understanding of how to manage these issues in an efficient manner.

Through diverse actions, H&M Group advances its commitment to reducing freshwater consumption and improving water efficiency, driving progress towards sustainable water management in the supply chain:

- **Supplier engagement.** H&M Group collaborates with tier 1 and 2 suppliers involved in wet processes to implement best practices for water management. Leveraging our scale, we focus on advancing water recycling and efficiency improvements, supporting suppliers to adopt sustainable water practices.
- **Regional water expertise.** Our team of local water experts in key sourcing regions, including Bangladesh, Mainland China, India, Türkiye and Vietnam, provides tailored support to facilities. By offering region-specific guidance, we help facilities to set realistic, context-driven water targets that align with local production needs and address unique regional challenges.
- **Development of roadmaps.** We assist our key suppliers in creating customised water roadmaps that identify actions for improving water efficiency and recycling. These roadmaps provide step-by-step guidance, helping suppliers evaluate and implement optimal water-efficiency opportunities.
- **Investment in waterless technology.** In 2024, we invested in innovative waterless dyeing technology at our suppliers Arvind in India and Chorka Textile in Bangladesh. At Arvind, the SUPRAUNO technology enables waterless dyeing of textiles, cutting down water, energy and chemical use. At Chorka, Plan Zero, a cluster of advanced technologies, is being deployed to minimise waste and emissions, with the potential to halve GHG emissions and water use.

Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

We are committed to continually improving our data availability and quality to capture our progress accurately and transparently towards reducing absolute freshwater consumption. During the year, we identified opportunities to enhance our water reporting methods. As a result, in 2024, we will transition from a facility self-reporting method used in 2022 and 2023 to a product-based model for calculating freshwater consumption.

This new calculation method considers product placement, and the processing steps each product undergoes as the basis for calculation. This information is then combined with facility-specific data on fresh water share and water intensity compared with benchmarks as set by us according to material and process type. With this change, we can account for freshwater consumption even when facility-specific water performance parameters are unavailable.

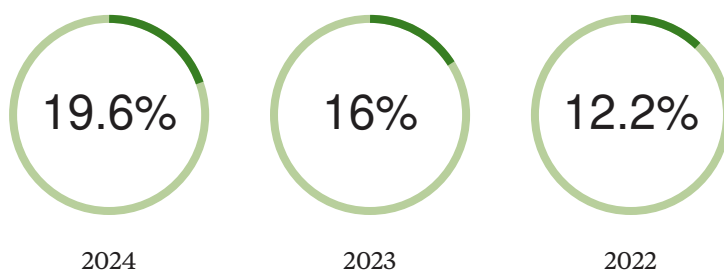
As before, this calculation method will be applied to production processes with intensive water usage, such as material dyeing, material finishing, material all-over printing, and product washing. We would also like to reiterate that we have always reported based on our share of water consumption from a facility to accurately capture our contribution.

This new calculation method will be applied to water results from 2022 onwards to maintain consistency when reporting our progress compared with the baseline year of 2022. With this change, our 2023 results have been updated and now show a 9.1 percent reduction compared with the 2022 baseline.

H&M Group's freshwater consumption decreased by 9.5 percent in 2024 against the baseline. Compared to 2023, freshwater consumption decreased by 0.4 percentage points even as total material weight increased during the year. This positive result is primarily the outcome of increased recycling of water during the year. Water recycling in our supply chain ramped up to 19.6 percent in 2024, compared to 12.2 percent in 2022.

Indicator

Share of recycled water consumed in tier 1 and tier 2 production factories



Share of absolute reduction in freshwater consumption in tier1and tier 2 production factories from 2022 baseline

-9.5%

2024

-9.1%

2023

	<p>A safe environment will focus on the protection of the environment as a non-harming environment for human beings. Causing air pollution will impact both workers' and local communities' health. Air pollution reduces quality of health and lowers life expectancy</p>
Goal :	<ul style="list-style-type: none"> • Reduce absolute scope 1, 2 and 3 GHG emissions by 56 percent by 2030, against a 2019 baseline. • Reach net zero by reducing absolute scope 1 and 2 emissions and absolute scope 3 emissions respectively by at least 90 percent by 2040, against a 2019 baseline, and balance out any remaining emissions with permanent carbon removals.
Status :	See below.
Goals in reporting year :	<p>H&M Group's GHG emission reduction targets</p> <ul style="list-style-type: none"> • Reduce absolute scope 1, 2 and 3 GHG emissions by 56 percent by 2030, against a 2019 baseline. • Reach net zero by reducing absolute scope 1 and 2 emissions and absolute scope 3 emissions respectively by at least 90 percent by 2040, against a 2019 baseline, and balance out any remaining emissions with permanent carbon removals. <p>H&M Group's supporting climate targets</p> <p>Own operations</p> <ul style="list-style-type: none"> • By 2030, achieve a 36 percent reduction in electricity intensity in our stores from a 2016 baseline. • By 2030, source 100 percent renewable electricity in our own operations, including ≥50 percent from power purchase agreements with new renewable electricity generation. <p>Our supply chain</p> <ul style="list-style-type: none"> • By 2030, source 100 percent renewable electricity for our garment production supply chain, from spinning to a finished product in tier 1, 2 and 3. • By 2026, phase out onsite coal from all of our garment suppliers in tier 1, 2 and 3.

Describe already implemented or planned measures :

We have taken action to secure the safety and wellbeing of people living in affected communities and their access to clean air, water and a healthy environment. We recognise that our potential negative impact on the quality of air and water is not only related to activities in our business partners' factories but also in the surrounding communities where we operate. Therefore, our work within this area is supported by our water and chemicals strategy, as well as our climate and materials strategy.

Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

Indicator

absolute reduction (scopes 1 and 2) in CO2e emissions compared with 2019 baseline

-41%

2024

We have updated how we calculate our emissions, more information on page 66 of our ASR.

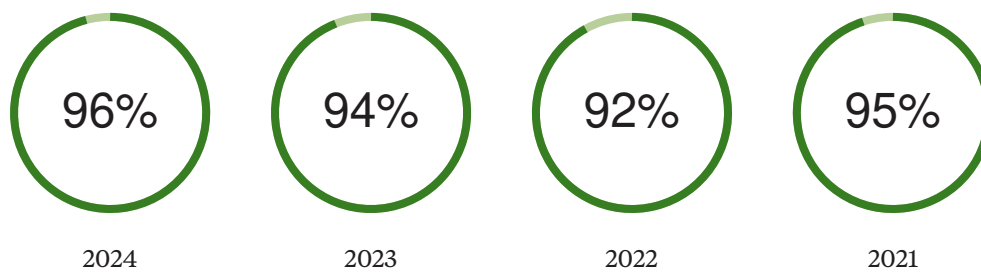
absolute reduction (scope 3) in CO2e emissions compared with 2019 baseline

-25%

2024

We have updated how we calculate our emissions, more information on page 66 of our ASR.

renewable electricity in own operations



	<p>Access to land, forest and water can be a source of livelihood and sometimes important for the enjoyment of social and cultural rights. Operations and the use of natural resources should not contribute to destruction and/or degradation of the resources and income base for communities, nor should there be any illegal taking of land, forests or water or illegal eviction of groups of people for reasons of development or use of these resources.</p>
<p>Goal :</p> <p>Status :</p>	<p>In 2023, H&M Group joined the Science Based Targets for Nature (SBTN) pilot study alongside 16 other companies, which aims to reduce negative impacts and enhance positive outcomes for nature and people across companies. In the first phase of the study, we evaluated key nature impacts across our value chain, with a focus on land and water. We consider the SBTN pilot study to be an important mean of driving greater standardisation of approaches to identify and assess impacts related to biodiversity and land-use changes.</p>
Goals in reporting year :	

Describe already implemented or planned measures :

We have taken action to ensure that the rights of people living in affected communities are respected across our value chain. Our efforts related to the land-rights and livelihoods of people living in affected communities are focused on increasing the use of recycled and sustainably sourced materials and maximising the value of material resources and products by keeping them in use longer. These efforts are supported by our materials strategy. In addition, we are using our leverage as a global fashion company to strengthen the respect for human rights across our value chain through industry collaborations and partnerships, such as the Better Cotton Initiative.

Opportunities for affected communities to raise concerns

Wherever possible, relevant stakeholders, including people living in affected communities, are welcome to raise concerns anonymously through our Whistleblowing Mechanism. When we have identified, or where there is alleged suspicion or grievance, that people – colleagues, workers, communities or customers – have been negatively impacted due to actions by us or our business partners, we have a responsibility to investigate and engage in a remediation process. If we conclude that we have caused or contributed to the harm caused, we must also engage in enabling remedy to those impacted. Where we are linked, we may choose to engage and in general we use our leverage, to the extent possible and reasonable, to influence others to take their responsibility.

Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

	<p>The right to privacy is the right to keep one’s personal matters and information out of the public domain and government interference. The right to privacy is essential to human dignity and the protection of our autonomy, dignity and personal identity.</p>
Goal :	
Status :	
Goals in reporting year :	

Describe already implemented or planned measures :

Data privacy and integrity

Process owners play a crucial role by integrating privacy considerations into all data-related work through a structured approach known as privacy by design. The data privacy community, coordinated by group legal, supports compliance at all levels, while the data protection officer (DPO) oversees and reports on compliance

Customer data privacy

Our dedicated team of data privacy professionals assesses all personal data processes to ensure that the individuals’ right to privacy is always considered. Our approach focuses on proactive measures to prevent, mitigate and remediate any potential negative impacts, while fostering a culture of data protection awareness across the organisation. We have implemented robust actions to safeguard our customers rights, including information security measures such as data encryption technology and regular data privacy reviews to identify and address potential vulnerabilities. We also provide ongoing training for employees on data privacy, best practices and compliance requirements.

All concerns and complaints are logged in a centralised database, assigned a unique identifier, and tracked through to resolution. Regular reviews are conducted to ensure timely issue management. Our actions are set to achieve privacy targets, strengthening our commitment to accountability, and continuously improving our privacy safeguards. We handle personal data of our customers to provide the best customer experience when visiting our websites or stores. We also process personal data on customer requests to be able to deliver services, fulfil orders, or provide support through our customer service. We had six substantiated complaints concerning breaches of customer privacy during 2024 (five in 2023 and eight in 2022). All cases, except for one, have been closed with no further action required by the supervising authorities. The remaining open case is being managed appropriately in coordination with the relevant supervising authority

Describe actual or expected results of the measures, as well as goals and activities for the coming reporting year :

3.B Other actions related to management of negative impact

3.B.1 Reduction of nature- and environmental impact

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 addition, we have developed a five-step climate action framework which guides and supports H&M Group's climate ambition and commitment to help us reduce our negative impact on the planet.

Climate-related incentive schemes

Senior executives' variable remuneration depends on the fulfilment of targets in the various areas of the business plan in total, which include sustainability, where GHG emission reduction is a key component. For more details and information about incentive schemes read our remuneration report, available at hmgroup.com.

Transitioning to a net zero value chain Our climate transition plan functions as a strategic action plan for our organisation to reach our 2030 climate targets. It outlines our emission reduction journey and key enablers to reach our targets. The transition plan presents our targets, strategy and methodology related to climate and is reviewed by the H&M Group board of directors and approved by the CEO. Read more about our climate transition plan on hmgroup.com.

Identification and management of material matters

To identify and manage impacts, risks and opportunities related to climate change we frequently engage with affected stakeholders. In addition, we have undertaken a qualitative scenario analysis to identify climate-related risks to our business. The analysis used climate models and company specific data to identify which physical and transition hazards are most likely to impact operations across our value chain. Using the Task Force on Climate related Financial Disclosures (TCFD) framework, the analysis was carried out over the short-, medium- and long-term across three different scenarios. The results of the analysis show that increasing frequency and severity of extreme weather events, may influence the availability and price of raw materials and resources such as cotton and water, potentially increasing our sourcing and production costs in the long-term. Increased carbon taxes may also lead to higher production costs in the medium to long-term if not mitigated through the use of new production technologies. While climate change poses a risk to our current business model, it also creates opportunities for us to accelerate the transition towards a sustainable fashion industry and adapt our strategy by decoupling our growth from resource use and extraction.

Policies and procedures

Our work is guided by our environmental policy, which states that we are committed to reducing our climate impact in line with the Paris Agreement to limit global warming to 1.5°C. The policy does not address climate change adaptation, energy efficiency or renewable energy deployment specifically, but these underpin the strategy to reach our science-based targets, and to manage the climate-related financial risks in our operations and value chain. In addition, H&M Group's sustainability commitment, which applies to all our business partners and suppliers, includes requirements related to the reduction of GHG emissions.

Biodiversity/nature

One of the main drivers of biodiversity loss are land-use changes. As a global fashion company, our largest impact on biodiversity and ecosystems occurs in our upstream value chain related to the use of resources such as land and water for farming, production and processing of cotton and wool. The negative effects of land-use changes on biodiversity can be further intensified by climate change, habitat destruction and pollution threatening communities who rely on healthy ecosystems for their livelihood.

Strategy and governance

Our ambition is to contribute towards the global goals for biodiversity by following the ARRRT-framework (Avoid, Reduce, Restore, Regenerate, and Transform). To avoid contributing to biodiversity loss and land-use changes we are also focusing on building a responsive, responsible and resilient value chain that operates in harmony with nature and is informed by the Kunming-Montreal Global Biodiversity Framework. Furthermore, we are investing in restoration efforts through our projects in collaboration with the WWF, BKB and the LEAF-coalition.

Identification and management of material matters

In 2023, H&M Group joined the Science Based Targets for Nature (SBTN) pilot study alongside 16 other companies, which aims to reduce negative impacts and enhance positive outcomes for nature and people across companies. In the first phase of the study, we evaluated key nature impacts across our value chain, with a focus on land and water. We consider the SBTN pilot study to be an important mean of driving greater standardisation of approaches to identify and assess impacts related to biodiversity and land-use changes.

Policies and procedures

Our work is guided by our environmental policy, which states that we are committed to contributing to reversing nature loss and the global goals of biodiversity. Our environmental policy also includes a commitment to preventing and reducing our overall impact on biodiversity and natural eco-systems affected by activities in our value chain, supporting the protection and restoration of biodiversity and natural ecosystems. In addition, we aim to develop a supply chain that is deforestation free and does not contribute to land conversion.

H&M Group's sustainability commitment, which applies to all our business partners and suppliers, also includes requirements to ensure the protection of biodiversity and ecosystems in the sourcing of raw materials.

Our policies and procedures are available at hmgroup.com and the supplier portal for all our business partners.

Targets and actions

H&M Group is exploring the possibility to set science-based targets related to nature and biodiversity. The SBTN pilot study has helped us to establish a science-based foundation for nature action. As part of this study we mapped our ongoing actions towards three key land targets: no conversion of natural ecosystems, land footprint reduction and landscape engagement in prioritised regions. During 2024 we have also taken action to reduce the conversion of natural ecosystems and promote regenerative agriculture practices.

No conversion of natural ecosystems

Reducing the conversion of ecosystems away from their natural state is one of our key priorities to halt biodiversity loss and protect natural ecosystems. We are committed to sourcing materials that does not deplete and degrade natural resources or convert natural ecosystems. Our actions related to minimising land conversion therefore include efforts to increase the use of sustainably sourced and recycled materials when planning our collections.

Landscape engagement and regenerative agriculture practices

We are investing in regenerative agriculture practices and production processes to secure the availability of the input materials we need to produce our products in the future. Therefore, we are supporting the transition towards regenerative agriculture practices in our supply chain to minimise our negative impact on biodiversity loss and create a more resilient farming landscape. Through our partnership with WWF, we have also gained valuable insights into priority conservation landscapes in India, South Africa and Indonesia. These projects also included stakeholders holding indigenous and local knowledge and two of the projects were submitted to SBTN as landscape engagement projects.

In addition, we are also monitoring the development of biodiversity credits, restoration, as a potential tool for further investment in thriving ecosystems.

3.B.2 Reduction of greenhouse gas emissions

H&M Group has set targets to reduce absolute scope 1 and 2 GHG emissions by 56 percent by 2030, against a 2019 baseline, and to reduce absolute scope 3 GHG emissions by 56 percent by 2030, against a 2019 baseline. In addition, we have set targets to reduce absolute scope 1 and 2 GHG emissions by 90 percent by 2040, and to reduce absolute scope 3 GHG emissions by 90 percent by 2040, against a 2019 baseline. In 2040, our overall target is to reach net zero by balancing out any remaining emissions through the use of permanent carbon dioxide removal.

These targets have been validated against Science Based Targets initiative (SBTi) net zero standard and were formally approved by the SBTi during 2022 as being in line with what the latest climate science regards as necessary to limit global warming to 1.5°C above pre-industrial levels.

Supporting targets to reduce GHG emissions

In addition to these emission reduction targets, we have also set supporting targets that contribute to reaching our ambition. For our stores, we have set a target to achieve a 36 percent reduction in electricity consumption per square metre and opening hour by 2030, against a 2016 baseline. This is an updated target, as we reached our previous 2030 target in 2023. For our own operations as a whole, we have set a target to source 100 percent renewable electricity, including at least 50 percent from power purchase agreements with new renewable electricity generation by 2030. For our supply chain we have set a target to source 100 percent renewable electricity for our garment production, from spinning to a finished product, by 2030. We have also set a target to completely phase out coal from our garment supply chain by 2026. For emissions related to raw material sourcing, we have a target to increase the share of recycled materials.

Key actions and decarbonisation levers

Current levers towards reaching our 2030 climate targets, in line with limiting global warming to 1.5°C, mainly focus on implemented regulations and public policies, currently available technology and prevailing market conditions. Through our climate transition plan, we outline the key changes needed in the legal framework and explain how we are driving these changes across every part of our value chain. To clearly showcase our key actions and levers, we have organised them by the relevant areas within the organisation.

Renewable electricity in our own operations

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. In 2024, we sourced renewable electricity equal to 96 percent of the group's total electricity use. When we procure standalone energy attribute certificates (EACs), we focus on the lowest-impact sources – primarily wind and solar. All our EAC purchases comply with the RE100 technical criteria.

- Energy efficiency. We are rolling out energy efficiency programmes such as real-time monitoring, LED lighting, installing motion sensors and adjusting indoor temperatures.

Production of goods and materials in the supply chain

In 2024, the production of goods in tier 1, 2 and 3 accounted for about 48 percent of H&M Group's total GHG emissions. Our key actions for reducing these emissions are:

- Energy efficiency. Our team of energy experts provides suppliers with free energy audits to identify potential efficiency improvements. Key focus areas include waste heat recovery from various manufacturing processes, focusing on dyeing process efficiency and replacing fossil fuel-driven boilers. 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 1027 projects, which have been or are being implemented by suppliers, resulting in total expected annual reductions of 350,000 tonnes CO₂e. These initiatives will generate financial savings for the suppliers, reduce energy usage, increase feasibility to electrify processes, and thereby enable us to lower our emissions. The GHG emissions per unit energy used, or carbon intensity is a key metric for the energy profile, that is used to track progress of individual supplier facilities.

- Phasing out coal. We are working closely with business partners and local stakeholders in our production markets to accelerate total substitution of coal. This will make a significant contribution to reaching our absolute GHG emissions reduction goal.

- Renewable energy. To meet the heat and steam energy demands in our textile supply chain, we prioritise electrification, supported by the procurement of renewable electricity, along with the use of ground or air-source heat pumps and on-site solar photovoltaic systems (PVs). Where electrification is not yet feasible, we prioritise producing thermal energy from agricultural residues as a transitional solution. By consolidating the number of suppliers and facilities we work with, as well as deepening our collaboration with those that already use low-carbon energy sources, we can reduce GHG emissions in our supply chain. Read more about our energy transition at hmgroup.com.

- **Financial support.** There is a need for direct financial support in our supply chain to finance measures related to reducing greenhouse gas emissions. Our Green Fashion Initiative supports our suppliers to replace the use of fossil fuels. Since the start, we have funded a total of 23 projects with the potential emission reduction of 148,000 tonnes CO₂e annually, of which 67,000 tonnes CO₂e can be attributed to H&M Group's efforts. During 2024, the operational projects resulted in a reduction of 98,000 tonnes CO₂e, of which 45,000 tonnes CO₂e can be attributed to H&M Group, as specified in note 1.

Transport of goods and materials across the value chain

- **Low-emissions transport alternatives.** We are actively expanding the use of preferred transport options, which include electric and zero emissions vehicles, with a particular emphasis on electric vehicles (EVs). In regions where EV infrastructure is less advanced, we use biofuels as a transitional alternative.
- **Reducing number of journeys.** We are cutting the total number of transport journeys through initiatives such as using parcel collection points instead of direct home delivery. In addition, we are refining our returns management and store replenishment processes. Other ongoing initiatives include improving load efficiency, consolidating shipments and optimising delivery schedules.

Financing investments in new technology

H&M Group has introduced a strategy to channel investments effectively, balancing reduction opportunities with financial viability. Within green investments we measure return on investment by emissions reductions rather than financial gain. As most of our emissions are in scope 3, we have a dedicated programme to decarbonise our supply chain by providing finance to suppliers. Limited technical expertise, restricted access to finance, high interest rates and low financial return are common barriers to our suppliers when considering decarbonisation interventions. We address these barriers by offering technical support through in-house energy experts and financing on favourable terms, made possible by our financial position and wide network of banking partners. We have identified a range of technical and financial solutions that support our suppliers to reduce emissions in a cost-effective way, adapting to their different needs. This involves for example renewable electricity, energy efficiency measures and switching to sustainably sourced materials and logistics. Our decarbonisation investment strategy includes:

- **Risk evaluation and alternative cost.** Using an alternative cost analysis to identify the economic impact of transformational investments, enables informed decision-making by assessing the long-term risks and benefits of climate action.
- **Bridging the gap.** Investments help bridge the gap between aspirational goals and concrete achievements, accelerating sustainability progress.
- **Unlocking new revenue streams.** As the market evolves and customers expectations increase, innovative climate solutions can create competitive advantages and new business opportunities.
- **Driving innovation.** Driving innovation to enhance resource efficiency and reduce costs.

Collaborative finance

Like many other fashion retailers, we cooperate with suppliers around the world. Often, we share their manufacturing capacity with other companies, and we only purchase a small share of the total volume they produce. To achieve our emission reduction goals, we must support the full upgrade of our suppliers' facilities and machinery. Our scope 3 emissions decrease only in proportion to our share of a facility's production. By sharing the costs, we believe the industry can achieve more significant reductions than individual brands could on their own. For example, when we invest in factories that produce garments for multiple brands, it allows others to benefit from our initial investment, reducing their GHG emissions at no additional cost. This highlights the need for collaborative financing to accelerate the transition towards net zero.

Collaborative financing between industry 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 (Aii) 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. It limits the cost of borrowing for factories and enables access to technical support, as well as offering the potential to build long-term, resilient business relationships with brands.

Decarbonising our entire value chain will require collective effort and innovative financial solutions. To address this, we have partnered with the consultancy firm Guidehouse, to create a collaborative financing tool. This tool allows brands that share suppliers to form a cohort, supporting their suppliers with technical assistance and financing through banks, with the backing of the brands. In 2024, the first cohort of the Future Supplier Initiative was launched, facilitated by Fashion Pact and Aii. We firmly believe that joint action is the most effective way to drive rapid industry-wide transformation. Therefore, we want to encourage fellow brands to engage in collaborative financing initiatives.

Sustainable financing for H&M Group

We issue sustainable financing in the form of green and sustainability-linked bonds to align our sustainability priorities with our financial strategy, and to provide investors with transparency on our investments and performance towards key sustainability targets. 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. Examples of activities included in the spend are:

- Recycled and sustainably sourced materials. By replacing conventional materials with recycled or sustainably sourced alternatives, this helps us reduce our GHG emissions.
- Collaborative finance. Our collaborative financing initiatives, including the Climate Fund by the Apparel Impact Institute, drive collective action to reduce GHG emissions in the fashion industry's supply chain, with H&M as one of the lead partners. Additionally, we are a key driver of the Future Supplier Initiative, which enables brands to collectively finance decarbonisation projects with shared suppliers that produce fabric and finished garments.
- Supply chain projects. Financing projects that enable factories to invest in technologies and processes to reduce energy demand and replace fossil fuel as well as support suppliers in getting access to renewable electricity. Providing factory energy audits to identify energy efficiency initiatives.
- Renewable electricity and energy efficiency within own operations. Investing in energy efficiency improvements in our facilities, which reduces our energy consumption and in turn helps us reduce our GHG emissions.

Advocating for systemic change

We engage directly with national and regional policymakers across our main retail and production markets, and indirectly through participation in stakeholder platforms and partnerships, including the UN Framework Convention on Climate Change Fashion Charter, WWF, World Economic Forum (WEF) and RE100. Our primary objective is to support a public policy shift in key production markets to improve the availability and accessibility of renewable energy. This involves collaboration with local governments in Bangladesh, Cambodia, mainland China, India, Indonesia, Türkiye and Vietnam, as well as engaging with EU institutions and member states to gain further support for decarbonisation in our production markets. Also, in our production markets, we engage with governments and industry organisations to advance legislation, for example:

- In Bangladesh, we are working actively to develop a Corporate Power Purchasing Agreements (CPPA) framework that will mark a pivotal step to facilitate direct access to renewable energy for corporate users and support the country's commitment to reduce GHG emissions.
- In Vietnam, we advocated for public policy and regulations to support the transition to renewable energy and welcomed the successful launch of Vietnam's Direct Power Purchase Agreements (DPPA) in July 2024.
- In mainland China, we engaged with the National Energy Administration to support the development of public policies around green power trading and welcome the introduction of several policies to enhance the trading mechanism to boost renewable energy access for our supply chain.
- In Indonesia, together with other organisations, we successfully advocated for removing the cap on installed capacity for rooftop PV systems, paving the way for greater adoption of solar energy across the country.

At a global level we continued to engage with influential stakeholders and policy makers to advocate for legislation which will enable the decarbonisation of our value chain, for example:

- We became signatories of the WEF COP 29 Open Letter calling for enhanced collaboration between the public and the private sector to deliver on the Paris Agreement.
- We joined the Corporate Leaders Group Europe, one of the founders of the We Mean Business coalition and an ambitious and influential player at European and global level. With CLG Europe we had the opportunity to meet the Executive Vice President of the European Commission to discuss setting an EU climate target of at least a 90 percent reduction by 2040.

Internal carbon pricing scheme

Our internal carbon pricing supports our work to reduce GHG emissions from raw materials, production processes and transports, covering about 66 percent of our total scope 3 emissions in 2024. Our scope 1 and 2 emissions are not covered by the carbon price. As a tool for driving behavioral change, it applies a shadow price on emissions, influencing decision-making within the company. The specific price is set as a function of the H&M Group's emissions and cost of sold goods to result in an increase in price as emissions decrease, enabling additional actions to be taken. Carbon price used in climate risk analysis is based on expected carbon taxes and border adjustment mechanisms and is not the same as the internal carbon price described here.

Preparing for net zero

Permanent carbon dioxide removal methods are designed to remove and store carbon dioxide durably. To achieve global net zero emissions by mid century, this technology must be expanded. We need carbon dioxide removal to achieve our 2040 net zero target to balance out any GHG emissions that remain after we have achieved at least 90 percent absolute reductions. By supporting this emerging sector now, we can help drive its growth, secure supply in a market expected to face supply constraints and inspire others to become early adopters of carbon removal.

In 2022, we signed our first contract for permanent carbon dioxide removal using direct air capture and storage via a multi-year agreement with Climeworks. In 2023, we joined Frontier and made an advance market commitment for carbon removal along with other members. Since joining, we have entered eight offtake agreements, which are contracts to buy permanent carbon removals once they are delivered. The numerous offtake agreements we have entered into to date are an important step forwards, and we hope they will encourage further growth in the market by signalling clear demand and attracting investment.

Actions beyond value chain mitigation

In 2022 we joined the Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition as a corporate partner. The coalition brings together public and private sector buyers to purchase high-quality carbon credits from forest governments (national and subnational) that have implemented jurisdictional REDD+ programmes to reduce deforestation. REDD+ stands for Reducing emissions from deforestation and forest degradation in developing countries, and is a process moderated by the UUNFCCC.

This financing provides a viable economic alternative to clearing forests for uses such as agriculture and can encourage governments to introduce public policies to protect forests, enforce laws to stop illegal deforestation, and provide economic incentives to landowners to preserve forests. The Amazon rainforest is identified as one of the ecosystems that are critical to stabilise in the near term to avoid a tipping point which could further accelerate climate changes. We were among the first companies to support the fight against deforestation in the Amazon rainforest with the LEAF Coalition and the deal with the Brazilian state Pará. Under the agreement, LEAF Coalition buyers, including H&M Group, have committed to purchasing over 4 million emissions reduction credits. H&M Group makes no claims of GHG neutrality based on the purchase of these carbon credits.

3.B.3 Improvements in own purchasing practices

Research and our own experience shows that even though we do not own factories, our buying behaviour and standards can influence conditions and practices at our suppliers. We want to have a positive impact on our business partners, which is why we are a founding member of ACT – Action, Collaboration and Transformation, alongside 18 other brands and the global union IndustriALL. Created in 2014, ACT sets out five commitments for responsible purchasing. We have signed up to all of them:

- Purchasing prices include wages as itemised costs.
- Fair terms of payments.
- Better planning and forecasting.
- Undertake training on responsible sourcing and buying.
- Practice responsible exit strategies.

These commitments help us to design and continually improve our purchasing practices.

We have a strong local presence in our main sourcing markets, which means we can build genuine partnerships with our suppliers and collaborate closely with them each day. This is a crucial part of being a responsible buyer. For example, we have our own production offices in Dhaka in Bangladesh and in Shanghai in China. By being close to our suppliers, we have developed partnerships built on mutual trust and transparency. This is a crucial part of being a responsible buyer.

Most of our purchasing practices are governed by digital systems and company policies. This ensures we consistently implement our standards and limits the risk of human error or external influence. It also means that many of the commitments we make, like adhering to certain payment terms, occur automatically.

There are still many challenges we need to address to make sure our purchasing practices do not contribute to any human rights violations on the factory floor. To help develop and improve our practices, we ask our suppliers how they perceive us as a buyer in anonymous surveys. In 2024, 92% of our suppliers said that we are a fair business partner.

We also complete a biannual industrywide assessment on purchasing practices with our suppliers as part of ACT's Accountability and Monitoring Framework. In both 2021 and 2023, our suppliers rated our practices in all areas either above or on par with the survey average. We improved in nine of the 16 areas, such as forecasting and capacity planning, sales and transparency, and price quotations. However, there is still work to be done, particularly in areas like changes to orders, and production and lead time.

We are committed to continuously develop our purchasing practices in all areas. As part of this drive, we have trained more than 660 H&M Group employees in responsible purchasing practices since 2022, covering over 78% of key roles.

3.B.4 Choice of products and certifications

Product transparency

Product transparency means sharing information about how, where and what a product is made from. It's also about disclosing data relating to the environmental and social impact of a product.

In 2019, H&M became the largest global fashion retailer to share information detailing where products are made. This information is available at www.hm.com for H&M products and includes the name, address & location of the manufacturing factory, as well as material composition.

Traceability

Traceability means the ability to track the origin or location of our materials and products, and to connect this to the relevant data. While, supply chain transparency is sharing this information publicly. Both traceability and transparency are vital components of a responsible and sustainable value chain. This is why we have clear routines and procedures that help us verify our materials to make sure they meet our sustainability policies.

Improving traceability

Increasing the visibility of our supply chain is an ongoing priority. We need to enhance our understanding of

suppliers and to gather data that will give us traceability from raw material through to manufacturing. To keep evolving our traceability, we need to both build our own capabilities and collaborate. We can have greater impact by working together within, and across, industries to come up with shared solutions.

TextileGenesis™

Since the first pilot in 2020, we have been using Textile Genesis' blockchain technology to trace man-made cellulosic and recycled polyester fibers. This innovative approach ensures full transparency and traceability throughout the supply chain, from raw material sourcing to final product delivery, allowing us to record and verify each step of the fibre's journey.

Textile Exchange

We've worked with Textile Exchange for many years, piloting new traceability and technology innovations. This includes using textile standards like the Global Recycled Standard, Recycled Content Standard, Organic Content Standard and Responsible Animal Fibers. We also take part in joint projects across the industry, helping shape the Textile Exchange technology roadmap, including tools like eTrackit.

Better Cotton

Better Cotton helps growers convert to farming practices that bring longer lasting economic, environmental and social benefits. Since 2021, we have been part of their Retailer and Brand Traceability Panel, a collective of companies working towards making Better Cotton traceable and ensuring farmers and their communities can continue to access increasingly regulated markets. The current focus is on driving demand for traceable Better Cotton and enhancing technical traceability solutions.

How we work with materials

All materials have an impact on climate, nature and people - from production, through the use stage and to the end of life. To reduce this impact, we aim for 100% of our materials to be either recycled or sustainably sourced by 2030, and 30% recycled materials by 2025.

In 2024, we increased the amount of recycled materials in our products to 29.5%, which we hope to double to 50% by 2030, and the share of recycled or sustainably sourced materials to 89%, making good progress towards our goals.¹

Our definition of "recycled and sustainably sourced materials" has evolved from evaluating a material's environmental factors compared to conventional alternatives, to taking a more holistic approach that also includes social factors. We are working towards aligning our definition with Textile Exchange's definition of preferred fibre and materials.

Our material vision

We take a progressive approach to our material work, continually evaluating the materials sourced for our products to reflect the latest science, best practices, and knowledge. This ensures we can respond to changes caused by global events, societal and environmental change.

Our vision is to move towards more resilient and circular raw materials that stay within planetary boundaries, enhances livelihoods, and thrives on innovation. It is built around three pillars:

Recycled

In our journey to build a circular ecosystem where products and materials are circulated at their highest value, we need to reduce our dependency on virgin fibres. By doing this, we will reduce our negative impact on climate, nature and communities, and help to meet our environmental goals and ambitions. In an ideal world, these recycled fibres would come from used textiles to create a closed loop. However, we need to build global infrastructure for collecting and sorting used garments, as well as scale up recycling technology to guarantee an adequate supply of recycled fibres. In the meantime, pre-consumer feedstock, for example from offcuts and scraps generated during production, can make up the shortfall.

Regenerative

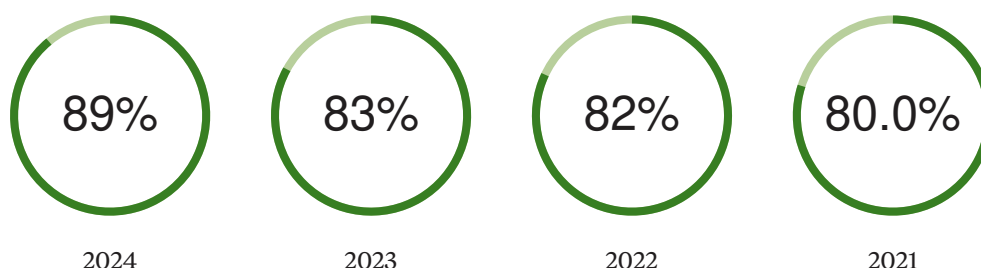
As part of our materials vision, key virgin raw materials should be produced using regenerative agricultural practices. Crop rotation, cover cropping, minimal or no-tilling, as well as the use of natural fertilisers all help improve soil health. The soil can then store more carbon and retain water more efficiently. Plus, healthier soils create healthier crops that need less inputs like pesticides or synthetic fertilisers. All of this positively impact biodiversity and farmer livelihood long-term.

Responsible

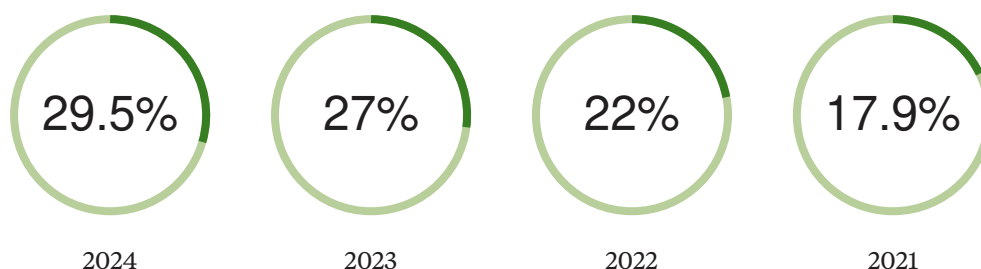
Making sure materials are sourced responsibly is the foundation of our material vision. We have a risk-based approach that is based on OECD guidelines for Responsible Business Conduct and the UN Guiding Principle on Business and Human Rights. All raw materials in our products should be produced in a way that respects human rights, preserves natural resources, and ensures humane treatment of animals

Indicator

Recycled or more sustainable sourced materials



Recycled materials



3.B.5 Actively support free trade union organisation and collective bargaining, or where the law does not allow it, actively support other forms of democratically elected worker representation

H&M Group's commitment to respect the human rights of workers in the value chain is set out in our human rights policy, which applies to all entities within the H&M Group and our business partners, outlining our approach to ensure fair and equal treatment for all workers. Our responsible business conduct (RBC) policy outlines our sustainability due diligence process. H&M Group complies with national laws and respects internationally recognised human rights wherever we operate, and our Human rights policy is aligned with internationally recognised instruments such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multi national Enterprises, the Universal Declaration of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work. In addition, H&M Group's sustainability commitment covers forced labour, child labour, health and safety, discrimination, freedom of association and collective bargaining, wages and compensation, transparency, and collaboration.

We want workers to feel safe at work and be treated with respect and dignity, and that their rights to freedom of association and collective bargaining are respected. In 2024 we had an in-person global NMC meeting for the first time since 2019. Coming together in person is essential to build trust and increase knowledge of each other's respective organisations.

We renewed our Global Framework Agreement (GFA) with IndustriALL Global Union and IF Metall. Key updates

include a commitment to supply chain due diligence, an updated governance structure and a shared budget to strengthen industrial relations, as well as a commitment from H&M Group to facilitate trade union access to factories in cases of alleged violations.

Long-term improvements in working conditions and safeguarding human rights in our factories start with empowered workers who have a voice. We expect supplier factories to strengthen dialogue between management and worker representatives, including trade union representatives when a trade union is present. A major pillar to achieve the above is our GFA with IndustriALL Global Union and IF Metall (GFA). The GFA is implemented through NMCs in Bangladesh, Cambodia, India, Indonesia and Türkiye. These consist of IndustriALL Global Union affiliated unions and our own colleagues from production offices and serve as an additional grievance mechanism where workers can raise concerns directly with us and conflicts that could not be solved at the factory level. National Monitoring Committees also work pro actively to promote freedom of association and issues of joint concern

3.B.6 Contribution to development, capacity building and training internally and of suppliers and workers in the supply chain

H&M Group continuously engages with affected stakeholders, including workers in the value chain. For most of our sourcing markets we have teams on the ground to evaluate human rights impact and engage with rightsholders or their representative. Through our Global Framework Agreement with IF Metall and IndustriALL Global Union, we consult with global trade unions and their local affiliates to identify and assess risks and collaborate on mitigation plans and, in some cases, provide remedy.

We also collaborate with the ILO's Better Work on country programmes in Bangladesh, Cambodia (Better Factories Cambodia), Indonesia, Pakistan and Vietnam. These programmes include assessments, training, advocacy and research in order to change policies, attitudes and behaviour. We have partnered with several organisations including the International Organization for Migration, the Mekong Club and the Centre for Child Rights and Business to guide us in identifying, mitigating and remediating child and forced labour in our value chain. In addition, we consult on a regular basis with relevant local and global stakeholders, such as civil society organisations, suppliers, researchers, peer groups and unions.

3.B.7 Combatting corruption and bribery in own enterprise and supply chain.

We have zero tolerance for corruption and bribery. Our ethics and anticorruption training programme is our main tool for mitigating the risk of corruption and bribery cases. We provide anti-corruption training during onboarding to our employees, who are required to sign our code of ethics. Employees can access the company's code of ethics and our speak up channel through the H&M group ethics portal. Awareness programmes for our speak up channel are held throughout the year. We make every effort to keep whistleblowers' identities strictly confidential. Reports may be made anonymously, except in countries where this does not comply with local laws, and we do not tolerate retaliation against anyone who raises a concern in good faith. The H&M group is subject to legal requirements for whistleblowing.

We assess and investigate all reported code of ethics cases internally, tracking the number of violations annually and report these annually to the CEO, CFO, audit committee of the board of directors and via our annual and sustainability report. These investigations may lead to terminations of business relationships or employment. We also conduct internal audits to ensure compliance

We conduct regular corruption risk assessments and, rather than aiming at zero cases on paper, our goal is to actually find the cases where our Code of Ethics has been violated. We see education and building awareness as crucial tools in preventing corruption, especially in high-risk countries. Our Code of Ethics – provides a clear backbone to our business, ranging from our clear commitment to legal compliance in the countries in which we operate to not accepting or facilitating any form of corruption with a clear no-gift policy.

3.B.8 Other relevant information concerning the enterprise's work to reduce, prevent, and manage negative impact

To achieve net-zero we need to invest. Switching to renewable energy, introducing energy efficiency measures and swapping to lower impact processes all cost money. But projects like these often have a long-term payback period and frequently get relegated to the bottom of the list.

Our approach

Our green investments are designed to speed up decarbonisation of our business. They bridge the gap between business goals and climate ambitions, bringing financing for projects with long payback periods within reach.

The majority of the funding is directed towards fabric production, a resource-intensive process. The first step is to introduce energy efficiency measures. Then we look at electrifying those factories where steam is used to power equipment or processes, while at the same time switching to renewables where possible. Other projects we support include developing low impact materials, decarbonising logistics and activities that promote circularity.

We have developed a range of solutions to target our suppliers' different needs. Together, they create an ecosystem of support that drives down emissions in a cost-effective way.

H&M Group programmes

Our in-house funding programmes target different parts of the decarbonisation journey:

Green Fashion Initiative (GFI)

Limited technical expertise, restricted access to finance, high interest rates and low returns on investment are common barriers for suppliers who want to cut their emissions. GFI offers direct financial support and financing at favourable terms, made possible by our financial strength and network of banking partners.

The investments we support generally fall into one of these categories:

- Energy efficiency projects to help suppliers reduce the total amount of electricity and steam they use in their operations.
- Electrification of high-energy processes to enable suppliers to move away from high usage of fossil fuels, including heat pumps and thermal heat storage.
- Installation of onsite solar panels so factories can generate their own renewable energy, reduce the risk of power cuts and save significantly on their energy bills.
- Investment in offsite solar or wind facilities that benefit factories and local communities.
- Replacing boilers or changing fuel type to replace fossil fuels with more efficient and renewable alternatives.

Power purchase agreements (PPAs)

We are signing PPAs with renewable energy developers. In these contracts we commit to a fixed price for electricity generated by solar parks or wind farms that have not yet been built. This removes the electricity price risk for the developer, makes the project viable and increases the amount of renewable energy available on the local grid. PPAs also help us to meet our goal of sourcing 100% renewable electricity for our stores, offices and distribution centres by 2030.

H&M Group Ventures

Our venture capital arm backs entrepreneurs who are set to transform the fashion industry and invests in companies across several themes including decarbonisation technology and circular solutions. Recent investments include Rondo and Syre.

Collaborative programmes

A single factory could make a sweatshirt for H&M, a pair of trousers for another brand and a hoodie for a third. When we invest in a factory like this, all three companies benefit from reduced emissions. But, if we joined forces and addressed the financial barriers together, we could act faster, increase the investment and have a much bigger impact.

Collaborative finance is key to driving the rapid, large-scale change we need in our industry. We are working with financial institutions and other fashion brands to develop and participate in different financing initiatives:

Future Supplier Initiative (FSI)

FSI brings together brands to collectively finance decarbonisation projects in shared suppliers producing fabric and finished garments. It keeps the cost of capital low for factories and includes access to technical support, as well as the opportunity to build long-term, resilient business relationships. H&M Group, Gap Inc., Mango and BESTSELLER are currently developing investment proposals for the first projects at shared suppliers in Bangladesh, targeting the most impactful activities at factory level. Next steps include implementing the projects and scaling to new regions when more brands join the initiative.

Fashion Climate Fund

We are one of the lead partners in Apparel Impact Institute's Fashion Climate Fund, which funds impact programmes to pilot and scale new technologies in the textile, apparel and footwear supply chains.

Bangladesh wind farm

We have signed a letter of intent to co-invest in developing a wind farm in Bangladesh alongside BESTSELLER. The project is facilitated by Global Fashion Agenda and Copenhagen Infrastructure Partners.



4

Track implementation and results

Tracking implementation of actions and results relates to measuring the effects of the systematic approach and own work in each step of the due diligence process, showing whether the enterprise conducts sound due diligence work. The enterprise needs to have procedures and routines in place in order to uncover and critically assess own conclusions, prioritizations and measures that have been made as part of the due diligence process. For example, is mapping and prioritisation of salient issues done in a scientifically sound and credible way? Does it reflect the actual conditions in the supply chain? Do measures aimed at ceasing, preventing and reducing the enterprise's negative impact work as intended? Is negative impact remediated where relevant? This may apply to measures taken by the enterprise alone or carried out in collaboration with others. The enterprise's experiences from working on due diligence should be used to improve procedures and routines in the future.

4.A. Track and assess

4.A.1 Describe a) assignment of responsibility for tracking the effect and result of implemented measures, as well as how the tracking is carried out in practice, b) who is responsible for evaluating the enterprise's implementation and work with due diligence, and how the evaluation is carried out in practice.

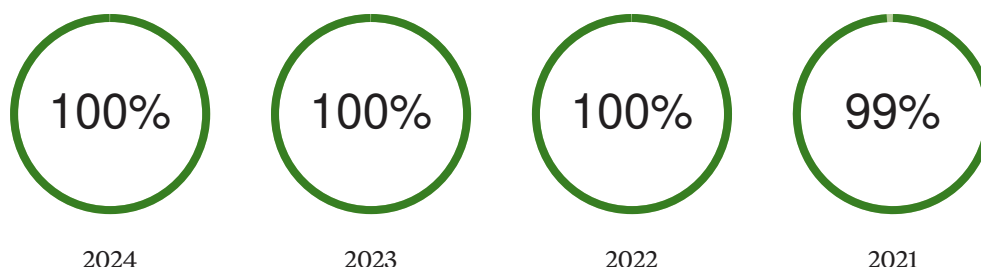
Please reference section 1.C for our internal governance.

For our supply chains, it is compulsory for all suppliers and business partners supplying or acting on behalf of the company to sign our Sustainability Commitment and Code of Ethics, which state the group's minimum requirements and our expectation to go beyond these. The Code of Ethics also outlines a zero-tolerance policy on corruption and requires business partners and employees to comply with relevant legislation as well as our own business principles.

Our Sustainable Impact Partnership Programme (SIPP) monitors compliance against our standards, measures performance, supports suppliers' due diligence procedures, and encourages improvements. As part of SIPP, supplier factories are assessed against tools developed by the Sustainable Apparel Coalition together with the industry, academia, NGOs and others. These tools are the Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM). Our Sustainability Index, which is part of how the company recognises and rewards high performing suppliers with better business prospects, includes consideration of suppliers' SIPP results and performance data.

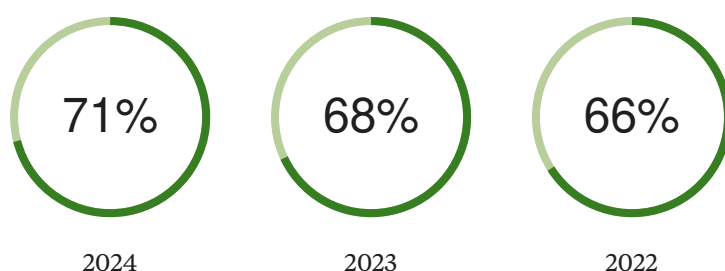
Indicator

% of tier 1 supplier factories that have implemented SIPP



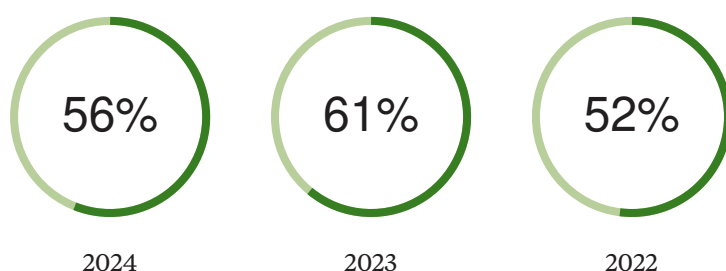
In 2023, 100% of tier 1 supplier factories, tier 2 dyeing and printing factories, and 100% of non-commercial goods suppliers and their factories implemented SIPP.

Tier 1 supplier factories participating in FSLM



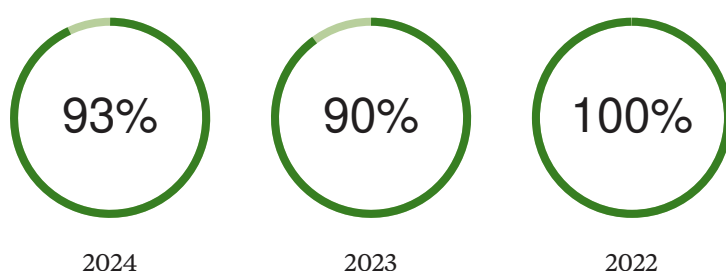
Tier 1 supplier factories participating in FSLM (number and %) 843 (66%) 876 (68%) 739 (71%)

Tier 2 supplier factories participating in FSLM



Tier 2 supplier factories participating in FSLM (number and %) 543 (56%) 442 (61%) 501 (52%)

Tier 1 third-party verifications for FSLM % of those participating



Tier 1 third-party verifications for FSLM (and % of those participating) 690 (93%) 790 (90%) 843 (100%)

Tier 2 third-party verifications for FSLM % of those participating



Tier 2 third-party verifications for FSLM (and % of those participating): 510 (94%) 415 (94%) 501 (100%)

4.A.2 Describe how you track the effect, and/or demonstrate the probability of effect, of measures taken to reduce negative impact.

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. After several years where routines were disrupted due to COVID-19 lockdowns, we prioritised on-site unannounced visits to all our approved factories to conduct minimum requirement assessments.

We have now changed our monitoring routine from 100% third-party verifications to include more regular minimum requirement assessments by our staff.



5

Communicate how negative impacts are addressed

A prerequisite for good external communication on due diligence for responsible business conduct is that it builds on concrete activities and results. Enterprises should make relevant documents concerning due diligence publicly accessible, i.e. policies, codes of conduct, guidelines, processes and activities related to identifying and handling the enterprise's actual and potential negative impacts on people, animals, society and environment. Communication should include information about how the risks have been identified and handled, as well as the effect of the measures/activities. The Transparency Act (Åpenhetsloven) §5 requires companies to publicly account for their human rights due diligence on an annual basis.



5.A External communication

5.A.1 Describe how the enterprise communicates with affected stakeholders about managing negative impact

Every day we engage with our different stakeholders, including industry peers, non-governmental organisations, inter-governmental organisations, policymakers, investors and the rights-holders impacted by our business.

Rights holders refers to our employees, our customers, the workers in our supply chains, the communities where we operate, and specific communities of people at greater risk of inequity or human rights violations.

We work with our stakeholders in various ways including formal partnerships, face-to-face dialogue, webinars, roundtables and surveys. Our dedicated stakeholder engagement team drives this work and we systematically integrate the feedback we receive into our strategies, risk assessments and priorities. This collaboration helps us define and prioritise material issues for our reporting and identify our salient human rights.

Our stakeholder groups include:

- Customers

Understanding, meeting and exceeding our customers' needs and expectations is fundamental to the success of our business and scaling circular business models.

- Colleagues

Our colleagues play a vital role in putting our sustainability initiatives into action.

- Supply chain workers

We engage with our supply chain workers through representative groups such as trade unions, as well as via anonymous surveys.

- Communities

We listen to feedback from affected communities and their representatives, and use their input to inform our decisions.

- Business partners

By collaborating with our manufacturers, suppliers of commercial and non-commercial goods, service providers and franchise partners we can share knowledge and raise industry standards.

- Experts and innovators

We support and invest in process, material and infrastructure innovators. We also work with experts to develop ideas for systemic change and to create positive impact beyond our business.

- NGOs and opinion formers

We welcome scrutiny and benchmarking against our peers from NGOs and others who push us and our industry to do better.

- Investors and analysts

As a publicly listed company, we engage closely with our investors, while analysts track and assess our sustainability performance. We integrate feedback from these groups into our strategy and reporting.

- Policymakers

To influence legislative change that supports industrywide environmental and social progress and vital systemic shifts, we work with policymakers and international institutions.

- Media

As a global brand, the media takes an interest in our activities. External visibility drives us to be transparent and accountable for our actions.

5.A.2 Describe how the enterprise publicly communicates its own work on identifying and managing negative impact/harm

Our sustainability reporting is based on the results of an impact materiality analysis covering an assessment of impacts across our own operations as well as our upstream and downstream value chain. For many years, H&M Group has been conducting its materiality analysis in line with applicable Global Reporting Initiative (GRI) Standards. In 2023, we began developing our materiality analysis process to align our approach with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), along with EFRAG's Implementation Guidance for Double Materiality. The annual and sustainability report 2024 and our impact materiality analysis has been prepared to align with the format of the upcoming reporting requirements but does not claim any compliance with the CSRD or the ESRS. The sustainability report is prepared in accordance with the GRI. Our annual and sustainability report complies with the applicable Swedish and EU legislation and the International Financial Reporting Standards (IFRS) adopted by the EU and is prepared in accordance with the Swedish Annual Accounts Act.

Frameworks

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

Read more in our "How we report"-document attached and on this page:

<https://hmgroup.com/sustainability/sustainability-reporting/how-we-report/>

Our Climate Action Plan and related information on our work with climate can be found here:

<https://hmgroup.com/sustainability/circularity-and-climate/climate/>

5.A.3 Describe the enterprise's routines for answering external inquiries related to the information requirement imposed by the Transparency Act

See attached file NO Transparency Information Requirement Process.

A woman with dark hair, wearing a bright yellow hard hat and a light blue V-neck t-shirt, stands in the foreground of a construction site. She is smiling slightly and looking towards the camera. A dark blue jacket is draped over her left arm. In the background, there are blurred elements of a construction site, including a yellow bucket in the lower left and some wooden structures. The lighting is bright, suggesting it's daytime.

6

Provide for or cooperate to ensure remediation when appropriate

Once an enterprise has identified that it has caused or contributed to negative impact on people, animals, society or the environment, the enterprise must provide for, or cooperate in, remediation. Remediation may involve financial compensation, a public apology or other ways to remediate the negative impact. Another aspect of remediation is that companies should provide for, or cooperate with legitimate complaint mechanisms, to ensure that workers and/or local communities can raise complaints and be heard.

6.A Remediation

6.A.1 Describe the enterprise's policy for remediation of negative impact

Incident management.

For situations that impact on human rights we apply a systematic approach to analysing each case and supporting its resolution, as well as to informing our involvement in providing remedy using the UNGPs enabling remedy framework. We recognise our responsibility to provide for remedy when impacts are connected to our activities, as well as our role in exercising influence through our business relationships and building leverage with others for issues further up our supply chains where we don't have direct business relationships. This specific analysis of human-rights impacts is integrated into our existing routine for handling cases and incidents, and we work to raise awareness among colleagues involved in grievance and incident management.

Identified human-rights incidents at supplier factories are handled in line with our incident-management processes, including issuing Letters of Concern in response to severe non-compliances with our Sustainability Commitment. To prevent re-occurrence, we have ongoing monitoring programs in place to assess progress, incentivise suppliers that share our ambition for responsible and sustainable business practices through more business, and encourage engagement in various programs at local and global levels.

Independent of the best effort negative impact can occur within our operations or supply chains and our responsibility is then to engage in remedy based on how we are connected (cause, contribute or linked). This is reflected in our policy uploaded under 1.A.1.

6.A.2 If relevant, describe cases of remediation in the reporting year

Through assessment of our suppliers as well as other means we continuously engage with our suppliers for them to solve incidents and non-compliances with our standards – and for serious incidents we issue Letters of Concerns (LoC) that can ultimately need to termination. Via our NMC and Speak-Up channel grievances can be raised for further analysis and remediation.

For further details about LoC issued during the year, cases raised to our NMC and examples of remediation, see our annual reporting.

6.B. Ensure access to grievance mechanisms

6.B.1 Describe what the enterprise does to ensure that employees and other stakeholders, especially impacted workers and local communities have access to whistleblowing systems and grievance mechanisms

At H&M Group, we take any allegation of misconduct in our business seriously. Misconduct can include discrimination, harassment, theft, fraud, corruption, other violations of our policies and guidelines regarding ethical behavior, or violation of laws.

Early reporting is essential and can help resolve an issue quickly. It can also minimise any harm. All reports are investigated and appropriate actions are taken against proven misconduct.

People should feel safe and supported when they raise a concern and we make every effort to keep their identity strictly confidential. Reports may be made anonymously, except in countries where this does not comply with local laws, and we do not tolerate retaliation against anyone who raises a concern in good faith.

Speak Up channel

If somebody suspects an abuse of trust or suspected misconduct within our organisation, local processes should always be followed first. If this is not possible, our secure Speak Up channel is available to our employees, business partners and their employees, as well as other third parties. See below for more information about our process for internal reporting and expectations of our business partners.

What to expect when you use Speak Up

- All concerns are taken seriously.
- You will be treated with dignity and respect.
- Anybody who reports a case will remain anonymous, where local law permits.
- All communication is strictly confidential.
- Speak Up automatically shares your case with an H&M Group colleague responsible for the category of incident or concern. For better handling, your report may be forwarded to a designated local investigator.
- Your case is given an incident number and you may be contacted via the platform for more information related to the case.
- We handle all cases according to our internal investigatory procedures.
- You can see the status of the case at any time during the investigation.
- We do not tolerate retaliation for reporting suspected misconduct in good faith.

Whistleblowing mechanism

The H&M group is subject to legal requirements for whistleblowing. Any concerns or potential violations of H&M Group's policies or relevant laws can be reported through our externally available speak up channel, which is our whistleblowing mechanism. The speak up channel is available to our employees, business partners and their employees as well as third parties.

Our whistleblowing policy states our commitment to handling misconduct in our business and our speak up channel offers employees, suppliers and any other stakeholders an option for reporting business misconduct and corruption cases. We encourage all our employees, business partners and any third parties to report any cases, concerns or potential violations of H&M Group's policies and/or relevant law through our speak up channel. Cases can be reported by anyone, inside or outside H&M Group.

Internal grievance policy

In case of breaches of our social policies, all our workplaces have local grievance procedures based on our grievance policy. This aims to ensure that all colleagues have access to a clear and effective procedure when it comes to handling issues around employment, treatment at work or breaches of our social policies.

Our business partners and their employees

All suppliers must sign our sustainability commitment and code of ethics for business partners, which set out our expectations for the relationship, including that every employee is always treated with dignity and respect. We also expect our business partners to establish their own misconduct reporting process, where their employees can report complaints and concerns without fear of retaliation. However, if a business partner employee cannot raise their concern within their own organisation or sees no action on a concern that affects the H&M group, they

may use our speak up channel. This is in line with OECD Due Diligence Guidance for Responsible Business Conduct and local legislation where we operate.

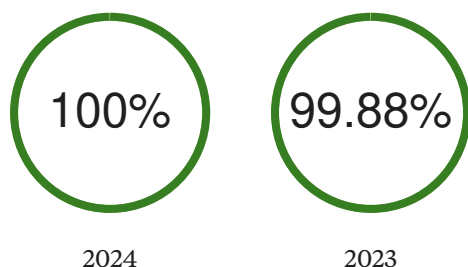
Our requirements on our suppliers and business partners include the establishment of operational-level grievance mechanisms. We also recognise the importance of human-rights defenders, including union representatives, in bringing attention to issues. We expect our suppliers and business partners to not hinder the work of human-rights defenders or retaliate against anyone who comes forward with an issue.

For our manufacturing supply chain, we follow up on the presence of effective operational-level grievance channels via our monitoring programs. One of the strategic focus areas within our social sustainability work is to strengthen workers' voices. We encourage and support the establishment of democratically elected worker representatives, and we work with our suppliers and unions to support good industrial relations.

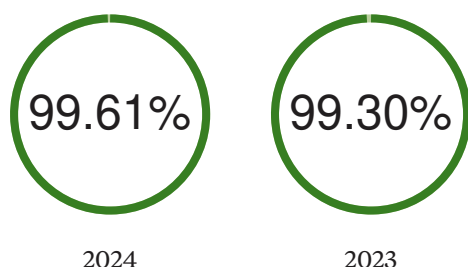
In key production markets, and as part of our framework agreement with global union federation IndustriALL and IF Metall, we have established National Monitoring Committees (NMC) in collaboration with local union representatives to, amongst other things, receive grievances and support in resolving issues that have been escalated.

Indicator

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



Contact details:

H&M Hennes & Mauritz AS

Marcus Hartmann Head of Public Affairs & Sustainability Region North
marcus.hartmann@hm.com