

H&M GROUP FACTS: WHO WE ARE

Our history

In 1947 Erling Persson opened a ladieswear store called Hennes with the idea of making fashion available and affordable for everyone. The store in the Swedish town Västerås would soon be followed by more. Today, the H&M group is a global design company inspiring people around the world to dress their personal style.

Our business idea

The H&M group's unique brands meet customers' demand for the best combination of fashion, quality and sustainability at affordable prices. We give customers unbeatable value and access to a more sustainable lifestyle.

Our core business

Sales of clothing, accessories, footwear, cosmetics, home textiles and homeware.

Our business goal

H&M Group will double sales while at the same time halving its carbon footprint by 2030 at the latest. The baseline for the sales goal is 2021. The goal is to reduce its carbon footprint in absolute figures by 56 percent by 2030 (baseline 2019) in accordance with our commitment at COP26.

Our stores

- 4,801 stores in 75 markets (2,884 stores in Europe and Africa) and 54 online markets.

Employees

- Approximately 155,000 employees (converted into full-time positions: approximately 107,000).
 - 74 % women, 26 % men (71% of the positions of responsibility are held by women).
 - EU employees: approximately 53,000.

Financial data

- EUR 18.76 billion in global net sales (2021).
- EUR 12,488 million (\pm 66% total net sales) in net sales in Europe & Africa (2021).
- The EU represented 51,35% of the total net sales in 2020.
- Sustainability-linked bond (coupled to how H&M Group meets certain defined sustainability targets):
 - EUR 500 million with a term of 8.5 years. The bond generated great interest and was 7.6 times oversubscribed.
 - Launched to contribute to our goal to reduce carbon emissions (scope 1,2, 3) in absolute figures by 56 percent by 2030 (baseline 2019).

Source: H&M Group's Annual and Sustainability Report 2021 - available [here](#).

H&M GROUP FACTS: WHO WE ARE

Our value chain

- Design and product development
- Raw material sourcing
- Material production and processing
- Product processing and manufacturing, which includes:
 - Apparel
 - Footwear
 - Home
 - Furniture
 - Beauty
 - Accessories
 - Packaging
- Transport and warehouse operations
- Sales
- Product use and reuse

Production

- 16 H&M Group production offices across major sourcing markets including Bangladesh, China, Cambodia, India and Myanmar. This makes it possible for us to maintain a close dialogue with our suppliers.
- We work with approximately 600 independent suppliers (tier 1* and 2*) operating around 1,200 factories.
- We have long-term strategic partnerships. The average length of our strategic supplier partnerships is 8 years, since 2016.
- Our suppliers contribute to the employment of 1.5 million people in 24 countries.
- 62% of worker representatives and 28% of supervisors at the suppliers we work with are female.

Fair Jobs in the production supply chain

- 4 focus areas:
 - Health, safety and wellbeing
 - Social dialogue: increase democratically elected worker representation & empower workers to know their rights
 - Compensation, benefits & social protection
 - Supply chain inclusion & diversity

**Tier 1 suppliers make products by cutting, sewing and processing.*

**Tier 2 suppliers provide the fabrics, yarns and trims for products, including spinning, weaving, dyeing and printing.*

H&M GROUP FACTS: BRANDS AND VENTURES

Brands:

H&M, H&M Home, COS, Weekday, & Other Stories, ARKET, Monki available via stores, online and other retail platforms.

Business ventures:

The online marketplace Afound offers customers discounts on products from the group's own brands as well as external and is available in six European markets.

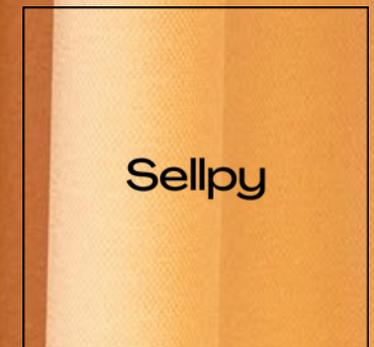
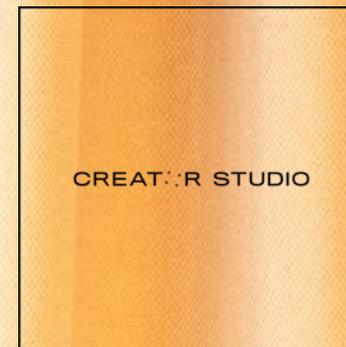
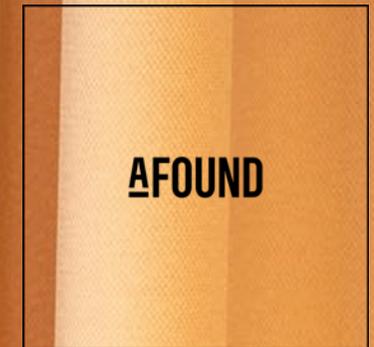
Creator Studio is a new B2B service offering on-demand print services.

The subscription-based Singular Society offers a selection of premium products within apparel and homeware.

H&M Group is the majority owner of the digital platform for second-hand products Sellpy, available in 24 markets (22 in Europe).

New business models:

H&M Group is exploring new sustainable initiatives and solutions for a circular approach such as resell, rental, remade, on-demand, repair and custom-made.



H&M GROUP FACTS: SUSTAINABILITY STRATEGY

Our vision is to lead the change towards a circular fashion industry with a net-zero impact while being a fair and equal company. Our strategy comes to life through us:

- **Leading the change:** by scaling innovation, promoting transparency, engaging and partnering for industry wide progress.
- Having a **circular approach** across our value chain, operating within planetary boundaries, net positive impact on biodiversity, circular ecosystems for products, supply chains and customers journeys.
- Being **fair and equal:** fair jobs for all, inclusive and diverse workplaces and communities.

Climate:

- We aim to achieve net-zero by 2040. Our main goal is to reduce our greenhouse gas emissions in absolute figures by 56% by 2030 (baseline 2019).
- In 2021, we reduced scope 1 and 2 carbon emissions by 22% and scope 3 emissions by 9% in absolute figures compared with 2019.
- In 2021, 95% of the electricity sourced for our own operations was renewable. The increase from 90% in 2020 is due to an increase in our purchase of Energy Attribute Certificates.
- Since 2021, we are not onboarding any new suppliers that have on-site coal boilers in their facilities – as part of our long-term aim to entirely phase out coal from our supply chain.

Human rights and due diligence

- The respect for human rights is the foundation of our sustainability strategy.
- Our human rights due diligence is risk-based and applies across our operations, supply chains and communities. We regularly review our actual or potential human rights risk and focus on priority risks.

Circular

- Our main goals are for 100% of our materials to come from recycled or other more sustainable sources by 2030 and for 30% of our materials to be from recycled sources by 2025.
- An important step towards achieving our recycled materials goal is that some of our collections are made of materials using new garment recycling technologies.
- To maximise product life and scale circular business models, we focus on 3 levels:
 - Use & care: We encourage customers to extend the life of their fashion favourites through care and repair initiatives.
 - Access: We offer a diverse range of access models through which customers can enjoy and experience fashion while keeping products in circulation.
 - Collect: We support customers to access services to donate pre-loved products so these can be reused, remade, or recycled.

Chemicals

- Our main goal is toxic-free fashion by 2030. Our Chemical Management Roadmap commits us to zero discharge of hazardous chemicals and 100% safe and traceable chemicals.

Packaging

- Our packaging strategy is developed in collaboration with the Ellen MacArthur Foundation. Our main goals are:
 - Reduce packaging across our value chain 25% by 2025 (2018 baseline), including an absolute reduction in plastic packaging of 25% by 2025.
 - All packaging should be designed to be reusable and/or recyclable by 2025 and made from recycled or other sustainably sourced materials by 2030, with a preference for post-consumer recycled materials.
 - All packaging waste from our own sites should be reused or recycled by 2025.

H&M GROUP FACTS: TRANSPARENCY AND TRACEABILITY

Transparency

- Communicating openly and honestly about our business is vital for building meaningful relationships with colleagues, customers, investors and others. Transparency alone does not improve sustainability performance, but creates accountability and comparability, pushing us to improve and encouraging others to do the same.
- Transparency accelerates change by:
 - Increasing transparency and traceability across our value chain give us greater oversight and control of our impacts. Sharing accurate data on our performance help to identify areas for improvement and create accountability and comparability within our industry.
 - Transparency is key to empower customers. To give information on product and business sustainability makes it possible for customers to make informed decisions and choices.

Traceability

- Supply chain traceability and transparency should go hand-in-hand to create greater accountability for where materials and products come from, and to drive positive change in the fashion industry.
- Traceability means tracking a product through every stage, from raw material to finished garment.
- To keep improving traceability, we must collaborate within and across industries to find shared solutions.
 - In 2015, we teamed up with the certifications organisation Control Union to develop a traceability system called Connected. We use this system to trace the origins of man-made cellulosic fibres – from fibre to final product. This ensures that we only work with producers that fulfil our policies, such as not sourcing from ancient and endangered forests.

- In 2020, we launched a pilot that tracked three materials through five levels of our supply chain using traceable digital fibrecoin technology.
- In 2021, we increased the scope and are working on several scaled pilots for man-made cellulosic materials, recycled polyester and other more sustainable and certified materials.
- We are expanding our collaboration with TextileGenesis™, a Global Change Award winner. Their traceability platform uses blockchain technology to track and verify the use of sustainable fibres. We will start rolling out their technology for all man-made cellulosic and recycled polyester in 2022. By the end of 2022 we aim to trace over 200 million pieces.
- Together with Textile Exchange and TextileGenesis, we're piloting eTrackit, a digital certified chain of custody model, to improve traceability of materials.

H&M GROUP FACTS: CIRCULAR ECOSYSTEM

H&M Group's ambition is to become circular to ensure that resources stay in use for as long as possible before being cycled into new products and materials. It means keeping resources in circulation at highest value, optimizing resources, minimising waste and restoring and regenerating nature.

Strategy

- We are transitioning to a circular ecosystem. This ecosystem transforms how we design and create our products and systems, how we work with suppliers and partners, and how we interact with customers.
- Our work towards circularity is crucial for achieving our climate and biodiversity ambitions.
- We want:
 - Circular products: Designing products that are made to last, from safe, recycled and sustainably sourced input that can circulate multiple times.
 - Circular supply chains: Fuelling systems that circulate products and support circular production processes and material flows.
 - Circular customer journeys: Providing accessible ways to experience and engage in circular fashion where products are used more, repaired, reused and recycled.

Goals

- 100% of our products should be designed for circularity by 2025.
- Achieve net-zero by 2040.
- Reduce our absolute scope 1, 2 and 3 emissions by 56% by 2030 (baseline 2019).
- Have a net positive impact on biodiversity.
- All our materials should be either recycled or sourced in a more sustainable way by 2030, including 30% recycled materials by 2025.

Main achievements 2021

- We tripled the volume of recycled materials and confirmed the ambition for all our products to be designed for circularity by 2025 supported by our new circular design tool Circulator.
<https://circulator.hmggroup.com>
- We launched a blueprint for a circular fashion industry within planetary boundaries, the product of a three-year research project by the Stockholm Resilience Centre together with the Ellen MacArthur Foundation, funded by H&M Group.



H&M GROUP FACTS: INNOVATION AND DESIGN

Innovation

- We identify, test and scale innovative solutions for new materials, recycling technologies and business models.
- Our Circular Innovation Lab supports early-stage innovations to evaluate new and more sustainable materials and technologies, bridging the gap from proof-of-concept projects to pre-commercial projects all the way to commercial production.
- Through our investment arm CO:LAB we have around 25 investments in companies which are developing new techniques within textiles recycling. Examples include Renewcell, Ambercycle and Infinited Fiber.
- H&M Foundation's Global Change Award is the world's largest innovation challenge seeking to transform the fashion industry. The 2022 Award seeks early-stage innovations contributing to a planet positive industry by addressing the earth's global commons: land, water, oceans, climate and biodiversity. Applications from more than 100 countries were submitted and winners were announced in April, 2022:
<https://hmfoundation.com/gca/>

Design

- Design is our first opportunity to enable more circular products.
- We aim to design all our products for circularity by 2025. To illustrate our belief in the need for an industry-wide shift towards circularity, we called for circular product design requirements in the European Union.
- Our commercial product teams are led by H&M Group's circular product development tool — Circulator — which aligns with the Ellen MacArthur Foundation's circular economy vision. It guides us to create products from safe and recycled or renewable inputs, designed to be used more, and made to be made again.
<https://circulator.hmgroupp.com>
- Circulator assists our product teams to prioritise durability and recyclability according to a product's purpose, and to select the appropriate level of durability for a product's use.

- Circular design is an important enabler for circular business models and a crucial part of reducing resource use, which will help us meet our climate and biodiversity goals. Our teams use tools such as our Material Categorisation to inform the selection of materials.
- The majority of our brands continued testing and using 3D design tools to decrease physical samples. And we are working to improve efficiency of pattern making.
- We have had a steep learning curve on the complexity of circular design, which can be quite subjective and has many trade-offs. As we see the industry narrative on circular design evolving, we are increasingly convinced there is no one size fits all with circular design. We need to take a differentiated approach and begin to understand the nuanced needs of circular.

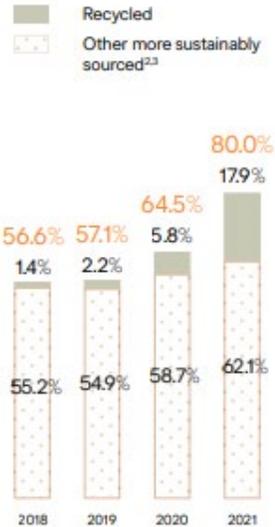


H&M GROUP FACTS: MATERIALS

Material choice

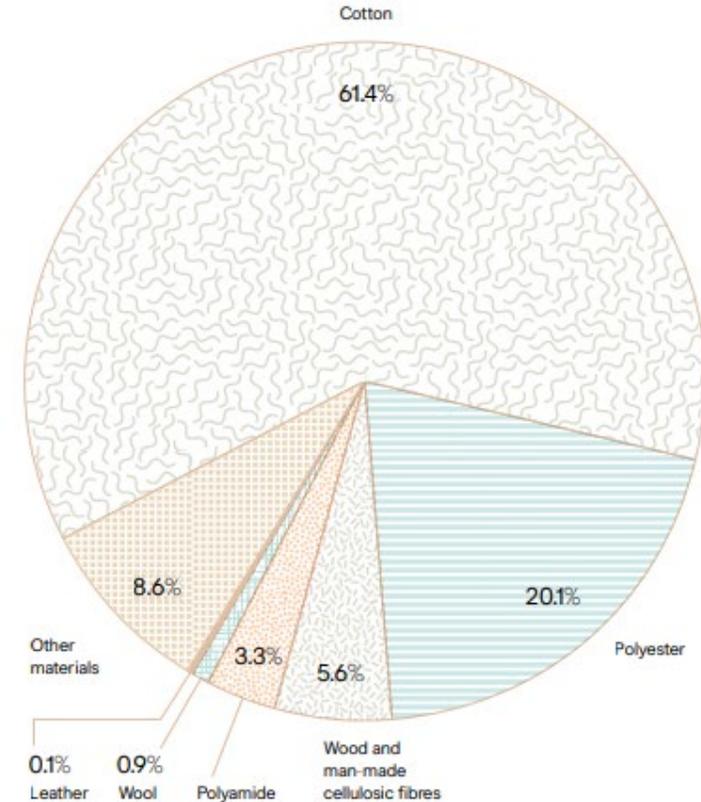
- The fashion industry depends on materials to create its products. These can be natural materials such as cotton, wood and wool, or synthetic options such as polyester and polyamide. All materials have an impact on our planet, from their production, use and, ultimately, end of life and disposal.
- To reduce our environmental impact, we aim for 100% of our materials to be either recycled or sourced in a more sustainable way by 2030, including 30% recycled materials by 2025.
- Working with materials is an ongoing process that requires a progressive approach and that materials need to be evaluated regularly to make sure we take into consideration the latest science, best practices and knowledge.
- We prioritise work on the materials we use the most or that have the greatest potential environmental or social impact. For all materials, our Responsible Raw Material Sourcing Policy guides us.
- Our material selection is informed by third-party lifecycle assessment data and benchmarks and verified by third-party certification schemes, where applicable. We work with supply chain partners to improve traceability and transparency.

% recycled or other more sustainably sourced materials¹



2025 goal: 30% recycled
2030 goal: 100% recycled or more sustainably sourced

Our materials basket¹



¹ Based on season 3 and season 4 data for 2021. Includes all shell materials — does not include materials used as filling, lining or trims on garments.
² Not all more sustainably sourced materials can be naturally grown or cultivated. I.e. minerals or stones. In these instances, we set up material-specific policies such as the use of external standard schemes to secure more sustainable sourcing.

³ See page 72 for an assurance statement relating to these data points. The limited assurance process included all cotton data (apart from in-conversion cotton) and data for our top three recycled materials.

H&M GROUP FACTS: MATERIALS

Cotton

- In 2020, we achieved our goal to source 100% more sustainably sourced cotton (recycled, organic and other more sustainably sourced cotton). Going forward we will put a greater focus on increasing use of recycled, regenerative and organic cotton, and innovative alternatives.
- To support more cotton farmers to transition to organic practices and accelerate capacity building in the organic cotton sector, we expanded our sourcing of “in-conversion” cotton. In-conversion cotton is the output from farms that are in process of getting organic certification. In 2021, we sourced in-conversion cotton from 2,000 farmers.
- In 2021, our sourcing of other more sustainably sourced cotton contributed to:
 - 30 billion gallons of water being saved.
 - 73,287 kilograms of pesticides being avoided.
 - EUR 56.83 million additional profit for farmers

Wood and man-made cellulosic (MMC) fibres

- As a part of our commitment to zero deforestation in our supply chain by the end of 2025 we set the following goals:
 - By end of 2025, to source responsible viscose in line with our commitment to the Changing Markets roadmap.
 - By end of 2025, all wood and paper used in our products and packaging will be made of Forest Stewardship Council (FSC) certified or recycled materials.
 - By end of 2025, we aim to only source MMC fibres from FSC-certified sources, or replace them with next-generation fibres from sources such as agricultural residues and pre- and post-consumer textiles.

Recycled and innovative materials

- 17.9% (5.8% in 2020) of our materials were from recycled sources. This is the result of large increases in our use of recycled cotton and polyester, two materials for which recycling technology is available at scale.
 - Our goal for 2025 is for 30% of our total materials to be from recycled sources.
- 63.7% of our polyester is from recycled sources (according to the Higg Materials Sustainability Index), which have a significantly lower carbon footprint than conventional sources.
 - Our goal for 2025 is to phase out virgin polyester and source 100% recycled polyester.
- We will continue to examine the possibility of recycling post-consumer polyester textiles using scalable, automated sorting techniques and chemical recycling.
- To accelerate the development of recycling technologies and use of more sustainable materials in Europe, we continued to engage in the European Union projects DEMETO, 1 EFFECTIVE2 and New Cotton.
- We increased the use of innovative materials, including Fairbrics, FLWRDWN, Liva Reviva, Made of Air, and Naia Renew.

H&M GROUP FACTS: MATERIALS

Animal based fibers

- 43.6% (12.1% in 2020) of our wool was Responsible Wool Standard (RWS) compliant, marking progress towards our goal to, by end of 2025, only source virgin wool from RWS certified farms.
- 95% (13% in 2020) of our cashmere was Good Cashmere Standard (GCS) compliant, meaning we are progressing towards our goal to, by end of 2025, source all virgin cashmere from GCS-certified farms.
- Since 2020, 100% of our mohair is Responsible Mohair Standard (RMS) compliant or from recycled sources, continuing our commitment to only buy from RMS certified farms.
- Since 2020, 100% of our virgin down is Responsible Down Standard (RDS) compliant, maintaining our record of only sourcing from RDS-certified farms since 2016.
- We also use innovative animal-substitute fabrics as in our “Co-Exist Story Collection”, a completely vegan collection approved by People for the Ethical Treatment of Animals (PETA).

Leather

- 50.7% (44% in 2020) of all leather products are produced with chrome-free tanned leather, including vegetable tanned leather and metal free leather. By end of 2025, we aim for all our animal-based leather to be chrome-free.
- In 2020 we simplified our leather supply chain to include only 40-50 tanneries. This enabled us to better focus on collaborating with the tanneries on sustainable practices:
 - 100% of our tanneries in Asia comply with Leather Working Group environmental best practice guidelines.
 - We also started exploring solutions to extend traceability beyond the tanneries, eventually back to farm level.
- We continued our search for bio-based leather alternatives. For example:
 - H&M used Desserto, a leather alternative partly made from cactus.
 - H&M Group’s Circular Innovation Lab worked with Natural Fiber Welding and launched the first products made by their natural, plant-based material MIRUM® using renewable resources to create a plastic-free alternative to leather.

H&M GROUP FACTS: MICROFIBRES

- Microfibres can be released when garments are washed during production and by customers. Chemicals used to dye and treat products change how easily fibres degrade. Selecting materials and production processes that minimise microfibre shedding is therefore crucial to reducing the impact of the fashion industry on our planet.
- We are committed to researching and addressing microfibre emissions, as we develop a groupwide Microfibres Roadmap. Our approach includes:
 - Choose and design yarns and fabrics that minimise microfibre shedding.
 - Research new production processes and requirements to minimise shedding.
 - Offer repair services and microfibre-reducing laundry bags to customers, and support the development of laundry machine filter systems.
 - Improve technologies that enable reuse and recycling.

- Microfibres are an industry-wide problem and we need to collaborate to develop solutions.
- We signed The Microfibre Consortium (TMC) 2030 Commitment, a global commitment to work towards zero impact on nature from textile fibre fragmentation by 2030. TMC members, including H&M Group, collaborated with research partners to develop a roadmap to achieve this commitment based on a common vision for the fashion industry
- We will continue developing a groupwide roadmap for microfibres in line with the Microfibre Consortium 2030 commitment. Learnings from this work will be shared with policy makers as H&M Group participates in consultations on potential legislation.

H&M GROUP FACTS: RESOURCE USE

- Today, offcuts and scraps generated in the production process or during product delivery are considered waste. Our vision is that the whole mindset of the fashion industry shifts to treat this waste as the valuable resource it is.
 - Similarly, faulty clothes or pre-loved items that have reached the end of their time with our customers offer a wealth of materials that can be recovered, reused and eventually recycled into new products.
-
- To proactively optimise resource use, we work to:
 - Optimise supply to produce to demand:
We increasingly apply predictive artificial intelligence (AI) to optimise the supply chain and match production with demand. We use multiple solutions for quick reactions to fashion trends, quantification, timing and allocation of products. This has led to even more relevant customer offering with more full price sales and fewer markdowns, as well as a more efficient use of resources.
 - Support resource-efficient production:
We work closely together with suppliers to use resources as efficiently as possible, guided by our Responsible Waste Management Guidelines. The guidelines help us optimise use of fabric and other resources decreasing resource use impact and reliance on natural resources as well as reducing financial costs.
 - Put faulty products to good use:
If a product is faulty, we reuse or recycle the materials wherever possible.
 - Increase recycling:
We work to improve and scale automatic sorting and efficient textile recycling. We also work to optimise resource use at our stores, distribution centres and offices, during product delivery, and by maximising product life.

H&M GROUP FACTS: CHEMICALS

What

- We want to lead the change towards toxic-free fashion by 2030. Achieving this is critical to our circular ambition.
- Our progressive approach takes us beyond compliance to chemicals suitable for circular products. Good chemical management is crucial to ensure safe use and reuse of materials.
- Our Chemical Management Roadmap commits us to zero discharge of hazardous chemicals and 100% safe and traceable chemicals.
- We are members of the AFIRM Group, Zero Discharge of Hazardous Chemicals (ZDHC) and ChemSec Business Group.

How

- This is how we will continue to lead the way towards our overarching goal “toxic-free fashion by 2030”:
 - Traceability: full traceability of the input of chemicals used in H&M Group production for commercial goods by 2030.
 - Policy engagement: push legislation and support public policies promoting progressive chemical management.
 - Transparency: share information about chemicals with customers, including full public disclosure of wastewater discharge test data.
 - Best available chemistries: promote innovation and the development of better chemicals and technologies throughout the supply chain.
 - Zero discharge: no discharge of prioritised hazardous chemicals in the supply chain.
 - Circular: reach our goal to only source recycled or other sustainably sourced materials by 2030 in terms of chemicals (materials and processes).
 - Collaboration: factories that use common tools such as the Manufacturing Restricted Substance List (MRSL).

Main achievements 2021

- We were one of five brands (out of 30) awarded “aspirational level” during the annual assessment of ZDHC’s Brands to Zero leader programme.
- In 2021, 81% of the chemicals used within our textile and leather supply chains were assured to meet ZDHC requirements via the ZDHC Gateway.
- We initiated a phase-out of high priority endocrine disrupting chemicals (EDCs) – substances that interfere with the hormonal system. We will continue phasing out all EDCs over the coming years.
- We used safer alternatives to potassium permanganate (used to distress denim) for 79% of our denim products, with the goal to achieve 100% by 2023.

H&M GROUP FACTS: WATER

Water

- We have a duty to use water responsibly and help safeguard water quality, accessibility and availability, especially in areas of high-water risk.
- We work towards reducing negative impact on water through improvements in our supply chain based on our Water Stewardship Strategy and Water Roadmap 2018-2022.
- We use WWF's Water Risk Filter to assess risks in our operations and supply chain. We also collaborate with organisations such as the 2030 Water Resources Group (2030 WRG). We align our reporting with the Sustainable Apparel Coalition and Zero Discharge of Hazardous Chemicals.
- Globally, 21% of production water is being recycled and 43% of factories in the H&M Group supply chain have rainwater harvesting systems, where this is feasible.

H&M GROUP FACTS: PUBLIC AFFAIRS

Our Public Affairs work is an important enabler to address systemic and industry-wide issues, and achieve policy developments needed to support meaningful growth in our industry. We focus on the issues most relevant to our sustainability work and where we see greatest potential to contribute to positive change.

EU and country-level legislation

- An important focus area is upcoming European Union (EU) and EU country-level legislation on transparency, circularity and other environmental and social issues.
- We also prioritise engaging with national and international policy and legislation that:
 - Supports transition to a circular and net-zero fashion industry.
 - Impacts social development in our production markets, with a focus on wages and social protection mechanisms.
 - Enables stable, predictable industry development in our production markets to support equitable economic growth, in line with the Sustainable Development Goals.
 - Promotes a free and sustainable trade agenda.
 - Addresses the emerging artificial intelligence and digitalisation agenda.



In our production markets

- In several production markets, we advocate for transparent, inclusive minimum wage revisions and extended social protection mechanisms, either through policy conversations (for example, in Bangladesh and Indonesia) or working with our suppliers to ensure full enforcement of the law (for example, in Turkey).
- We engage with national authorities to support reforms towards a cleaner energy mix, including in Bangladesh (on the revision of the Renewable Energy Policy), Cambodia, and Indonesia (together with CEIA – Clean Energy Investment Accelerator).
- In Turkey and Bangladesh, we started a collaboration with United Nations Development Programme (UNDP) to understand the legal framework and advocate for the shift towards a net-zero industry.

H&M GROUP FACTS: STAKEHOLDER ENGAGEMENT

We welcome open dialogue and collaboration with others within and outside our industry. These partnerships are key to help us progress towards our sustainability ambitions faster than we could alone and have a positive impact beyond our own value chain.

- We want to contribute to positive impact, growth and development in the communities where our operations and suppliers are located, and the communities that represent our customers and colleagues.
- Our **customers** are the centre of our business. We continuously listen to understand their expectations and make more sustainable choices as accessible and attractive as possible to them.
- We work closely with **business partners** — including suppliers, franchise partners and online platform channels — to share expectations, address social and environmental challenges in our supply chain, and raise industry standards. We engage with our suppliers' employees either directly through anonymous worker surveys or via representative bodies such as trade unions.
- Together with **experts** — including peers, non-governmental organisations, academics and researchers, innovators and multi-stakeholder initiatives, we aim to tackle systemic challenges and have a positive impact beyond our business.
- As a publicly listed company, we are accountable to our **investors**. We maintain two-way dialogue with them to share our progress, seek feedback and transparently inform our sustainability strategy and reporting.

