



H&M Group

Sustainability Report 2018
Highlights

Executive summary

From the beginning, H&M group's role has been to democratise fashion. Today, that means making it sustainable: it's the only way we'll keep making great fashion and design available today, tomorrow and for generations to come.

Our sustainability vision is to use our size and scale for good, and with the help of technology and innovation, lead the change towards circular and renewable fashion while being a fair and equal company. To achieve this, we have developed an ambitious strategy with the help of a broad range of external and internal experts. Our strategy follows a science-based approach, wherever possible.



Key Achievements 2018



WE HAVE ACCELERATED OUR WORK WITH ARTIFICIAL INTELLIGENCE BY CREATING AN AI DEPARTMENT WITHIN H&M GROUP. THIS WILL FURTHER HELP US MAKE THE BEST AND MOST SUSTAINABLE BUSINESS DECISIONS POSSIBLE.

57% of all materials we use to make our products are recycled or other sustainably sourced materials.



Because investing in innovation unlocks circularity, we support companies such as Moral Fiber and Colorifix.

H&M Group has developed 2030 GHG emissions reduction goals that have been approved by the Science Based Targets initiative.

DURING 2019, H&M AND H&M HOME ARE ROLLING OUT A NEW TRANSPARENCY TOOL IN THEIR ONLINE STORES, ENABLING CUSTOMERS TO TRACE MOST OF THEIR PRODUCTS TO THE FACTORY THEY HAVE BEEN MADE IN, AND FIND FURTHER INFORMATION TO MAKE MORE CONSCIOUS CHOICES.



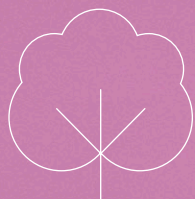
THE TAKE CARE CONCEPT LAUNCHED IN FURTHER FOUR MARKETS, OFFERING CUSTOMERS GUIDANCE AND HANDS-ON SUPPORT IN HOW TO CARE FOR THEIR GARMENTS.



655 factories and 930,000 garment workers are covered by one or both of our key programmes for workplace dialogue and Wage Management Systems. This represents 84% of our product volume.

H&M GROUP WAS RANKED AMONGST TOP 5 IN FASHION REVOLUTION'S 2018 INDEX WITH A SCORE OF 55% (HIGHEST SCORE 58%).

Key Achievements 2018



95% of cotton used by H&M Group is recycled or other sustainably sourced.

We set a new circular packaging strategy and roadmap for the entire value chain.



WE COLLECTED 20,649 TONNES OF TEXTILES FOR REUSE AND RECYCLING THROUGH OUR GARMENT COLLECTING INITIATIVE. THAT'S 16% MORE THAN LAST YEAR AND REPRESENTS THE EQUIVALENT OF 103 MILLION T-SHIRTS.

AFOUND

We launched Afound, a brand with the mission of giving unsold products a new life.

We've reduced CO₂ emissions from our own operations by a further 11%. This takes us another step closer to achieving a climate positive value chain by 2040.



We have developed a new Water Roadmap for our supply chain which contains our key goals and actions up until 2022.

H&M Group has been included in the Dow Jones Sustainability Index for several years now, this year reaching the highest possible score in the categories of Quality & Recall Management, Social Reporting, Environmental Reporting and the best industry score in Supply Chain Management.

Awards & recognitions

Here are some of the awards and recognitions that H&M Group has received during 2018:

DOW JONES SUSTAINABILITY WORLD INDEX

H&M Group has been included in the Dow Jones Sustainability Index for several years now, this year reaching the highest possible score in the categories of Quality & Recall Management, Social Reporting, Environmental Reporting and the best industry score in Supply chain Management.

FASHION REVOLUTION'S FASHION TRANSPARENCY INDEX

H&M group was ranked amongst the top 5 in Fashion Revolution's Fashion Transparency Index with a score of 55% (highest score 58%).

FTSE4GOOD

H&M group has been independently assessed according to the FTSE4Good criteria and has satisfied requirements to become a constituent of the FTSE4Good Index Series. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria and are positioned to capitalize on the benefits of responsible business practice.

ETHISPHERE® INSTITUTE

For the eight time, H&M group has been

recognized by the Ethisphere® Institute as one of the World's Most Ethical Companies.

NEWSWEEK GREEN RANKING

H&M group was ranked number 11 in the Newsweek Green Ranking among the 500 most sustainable companies in the world for 2017 (2016: 63, 2015: 88, 2014: 95). The ranking is annually produced by the magazine Newsweek in collaboration with leading environmental research organisations.

TEXTILE EXCHANGE PREFERRED FIBER & MATERIALS REPORT 2018

According to the Textile Exchange's Preferred Fiber & Materials Market Report 2018, H&M group was the biggest user of preferred Man-made cellulosic fibres and the biggest user of Lyocell, as well as preferred cotton, and the second biggest user of recycled and organic cotton.

DRAPERS SUSTAINABILITY AWARD UK

For third year in a row, H&M group has been recognised by the British retail publication Drapers for their contribution to the retail industry. In the Annual Awards Ceremony, H&M group won the Sustainability Award of The Year.



H&M group UK team accepting the Drapers Sustainability Award from host Russell Kane.

100% Leading the Change: Key facts and figures 2018

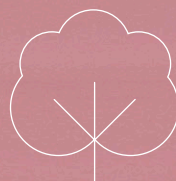


We have accelerated our work with artificial intelligence by creating an AI department within H&M group. This will further help us make the best and most sustainable business decisions possible.

During 2019, H&M and H&M Home are rolling out a new transparency tool in their online stores, enabling customers to trace most of their products to the factory they have been made in, and find further information to make more conscious choices.

H&M Group was ranked amongst top 5 in Fashion Revolution's 2018 index with a score of 55% (highest score 58%).

Because investing in innovation unlocks circularity, we support companies such as Moral Fiber and Colorifix.



Since 2013 we make names of suppliers, addresses and other factory information public. Today this includes 100% of our tier 1 supplier factories and tier 2 factories who make about 65% of our products – and fulfills the requirements of the transparency pledge.



OUR LEADING THE CHANGE AMBITION CONTRIBUTES TO SDG 9, SDG 12 AND SDG 17.

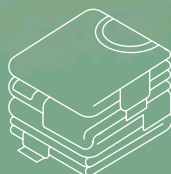
100% Circular & Renewable: Key facts and figures 2018

We reduced CO₂ emissions from our own operations by a further 11% compared with 2017.

AFOUND

We launched Afound, a brand with the mission of giving unsold products a new life.

57% of all materials we use to make our products are recycled or other sustainably sourced materials.



We collected 20,649 tonnes of textiles for reuse and recycling through our garment collecting initiative. That's 16% more than last year and represents the equivalent of 103 million t-shirts.

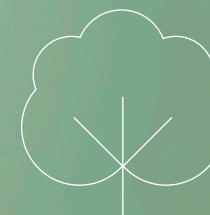


WE HAVE DEVELOPED A NEW WATER ROADMAP FOR OUR SUPPLY CHAIN WHICH CONTAINS OUR KEY GOALS AND ACTIONS UP UNTIL 2022.

H&M Group has developed 2030 GHG emissions reduction goals that have been approved by the Science Based Targets initiative.



We set a new circular packaging strategy and roadmap for the entire value chain.



95% of cotton used by H&M Group is recycled or other sustainably sourced.



OUR CIRCULAR AND RENEWABLE AMBITION CONTRIBUTES TO SDG 6, 7, 12, 13, 14, 15, 17.

100% Circular & Renewable: KPIs and goals

Goal-setting is an ongoing process. We work with experts – both internally and externally – and follow a science-based approach to define targets and actions wherever possible. The KPIs and goals below represent the initial key milestones along the way to achieving our ambition to become 100% Circular & Renewable.

100% Circular & Renewable

KPI	2015	2016	2017	2018	GOAL
% of recycled or other sustainably sourced materials of total material use (commercial goods)	20%	26%	35%	57%	100% by 2030 at the latest
% of recycled or other sustainably sourced cotton (certified organic, recycled or Better Cotton)	34%	43%	59%	95%	100% by 2020
Tonnes of garments collected through garment collecting initiative	12,341t	15,888t	17,771t	20,649t	25,000t per year by 2020
% of stores with recycling systems for main types of store waste	61%	71%	64%	63%	100%
% of facilities in own operations with water-efficient equipment	37%	51%	51%	64%	100% by 2020
% supplier factories in compliance with ZDHC wastewater standard for conventional parameter*	75%	82%	84%	87%	100%
% renewable electricity in own operations	78%	96%	95%**	96%	100%
% change in CO ₂ emissions from own operations (scope 1 + 2) compared with previous year	-56%	-47%	-21%	-11%	Climate positive by 2040
% change in electricity intensity (kwh/sqm per opening hour compared with 2017)	n/a	n/a	-2.7%	-8.2%	-25% by 2030

*2017 data is compliant with BSR, 2018 data and forward is compliant with ZDHC.

**Due to inaccuracy in calculation, the 2017 share has been corrected from 96% to 95%.

100% Fair & Equal: Key facts and figures 2018

H&M Group's global supply chain directly contributes to 1.6 million jobs in our tier 1 and tier 2 factories.



We have signed a new partnership agreement with ILO.



Our Board of Directors is represented by a 60%:40% (female:male) gender split.

93%
of our business partners rate H&M Group as a fair business partner.

H&M Group hosted a Fair Living Wage Summit in Phnom Penh in December to share the impact, results and main learnings from the last five years' work with the Fair Living Wage Strategy.



655 factories and 930,000 garment workers are covered by one or both of our key programmes for workplace dialogue and Wage Management Systems. This represents 84% of our product volume.



OUR FAIR AND EQUAL AMBITION CONTRIBUTES TO SDG 1, 2, 3, 4, 5, 8, 10, 16, 17.

100% Fair & Equal: KPIs and goals

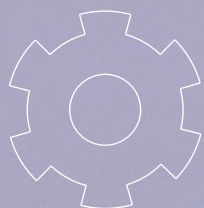
Our goal-setting process is ongoing. We work with internal and external experts and, wherever possible, follow a science-based approach to defining targets and actions. The KPIs and goals in the table below represent key milestones towards our ambition to become 100% Fair & Equal.

100% Fair & Equal					
KPI	2015	2016	2017	2018	GOAL
No. of supplier factories implementing improved Wage Management Systems (% of production volume covered)	69	140 (29%)	227 (40%)	500 (67%)	50% of product volume by 2018
No. of supplier factories that have implemented democratically-elected worker representation (% of production volume covered)	132	290 (42%)	458 (52%)	594 (73%)	50% of product volume by 2018
% of business partners regarding H&M group as a fair business partner	84%	83%	94%	93%	90% by 2018
% of employees agreeing with the statement "I feel comfortable being myself at work", and % of employees agreeing with the statement "I am treated with respect and dignity":*	n/a	n/a	n/a	83%, 81%	Year on year improvement
% of remediated issues (defined by the Bangladesh Accord**)	61%	81%	90%	98%	100%

*New baseline replacing our previous KPI % of employees agreeing with the statement "People here are treated fairly regardless of age, ethnicity, sex, sexual orientation, disabilities", as we have made a shift to a new engagement survey platform.

**From beginning of 2019, orders will only be placed with supplier factories that are 100% compliant with the Accord requirements.

Standards & policies: Key facts and figures 2018



We measured the sustainability performance of our tier 1 and tier 2 supplier factories by conducting 884 desktop validations and 1,430 onsite validations.

We launched an updated version of the Animal Welfare and Material Ethics policy.



100%
of our suppliers have signed our Code of Ethics.



100% of our suppliers have signed our Sustainability Commitment.



After completing 9,715 safety and security audits in our stores, we reached a worldwide compliance level of 85%.



We have rolled out a new standard for Sustainable Workplace, which addresses everything from reducing waste to using LED lights. The standard makes sustainability part of our daily working lives and helps us set a good example across our business and beyond.