



# H&M Group

Sustainability-Linked Bond Framework

January 2021

# Background & Rationale

The H&M Group is a family of brands with the business model to deliver fashion and quality at the best price in a sustainable way. Together we offer fashion, design and services that enable people to be inspired and to express their own personal style, making it easier to live in a more circular way.

Our offering is aimed at fashion fans all over the world. We are expanding with a focus on quality and sustainability in existing markets, as well as in new countries. H&M Group includes the brands; H&M and H&M HOME, COS, & Other Stories, Monki, Weekday, ARKET and Afound.

We operate in 74 markets, have 5,000 stores and over 150,000 employees. We also offer our products online.

We are part of an industry that faces significant environmental and social challenges. We see great opportunities to meet these challenges, but this requires major transformation. We are exploring new business models, innovating with new materials and processes, and collaborating with others to reinvent the fashion industry. We believe that by taking a lead wherever we can and embedding sustainability throughout our culture, values and business, we will create a better customer offering for all our brands.

Our Sustainability-Linked Bond Framework provides an opportunity for investors to learn about our influence to drive positive transformation within the fashion industry and support us in this journey. Together we can reinvent the fashion industry.



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# Approach to Sustainability

Sustainability is an integral part of the H&M Group. More than 270 people work full time with sustainability with the majority being within our production organisation, situated in our production countries, close to our suppliers.

## Sustainability strategy

The following three strategic areas describe our deepest intentions:

- Being **Fair & Equal** to the people and the communities around us,
- Using our planet's resources consciously and becoming a **Circular & Climate Positive** company, and
- **Leading the Change** by pushing ourselves and the industry to reinvent and transform.

To achieve financial sustainability, we must be relevant to the future customer by ensuring we are the natural choice for increasingly aware customers.

Environmental and social aspects go hand in hand and our ambition is to continuously lead the change in our industry and, in the process, act as a role-model for other industries.

H&M Group has set a goal to have a "Climate Neutral supply chain" no later than 2030. This means reducing the emissions from our supply chain as much as possible and then compensating to reach climate neutrality.

The long-term goal is to "Achieve a Climate Positive value chain", no later than 2040, by eliminating and negating greenhouse gas emissions that exceed the total emissions arising from our entire value chain.

In our strive towards Climate Positive 2040, we have chosen to work within the following strategy areas, setting goals accordingly:

- **Energy Efficiency**  
The efforts of minimizing energy usage start within our own operations where we aim to be leaders in our industry. This is very important from a symbolic and leadership perspective, as we want to continue to lead by example.  
  
Energy efficiency within our supply chain is considered a key element for reaching our long-term goals and can look very different from one supplier to another, depending on how old their facilities are, which country they are located in, when they started their sustainability journey, along with many other things.
- **100% Renewable Energy**  
The transition away from fossil fuel-based energy sources must be based on new renewable and sustainable energy – during 2019, 96% of the energy used in our own operations came from renewable sources. Our big challenge ahead is to achieve the same within our supply chain, where the big majority of our scope 3 CO<sub>2</sub>e emissions are generated. Our strategy here includes, but is not limited to, efforts within power generation, on-site solar, offsite Purchasing Power Agreements (PPAs), as well as removal of fossil-fuel based onsite heat and electricity production.

- **Circular business models**  
The efforts within Energy Efficiency and Renewable Energy will not be sufficient for the planet unless we, at the same time, transition from a linear business model to a circular one. A circular business model, or a closed loop, means that we can increase the lifetime of our limited resources, find new business models and mitigate risk through securing future material sourcing.
- **Nature based solutions**  
We continue to explore viable long-term options for removing carbon dioxide from the atmosphere. Much attention will be given to the role of nature-based solutions as, for example, regenerative agriculture holds the potential to deliver dual climate and biodiversity benefits, as well as for other United Nation’s Sustainable Development Goals (SDGs).
  - Natural carbon sinks. Preserving and utilising existing nature-based mechanisms for absorbing greenhouse gases, for example by protecting valuable biomass (such as rainforests) and investing in sustainable agriculture.
  - Technological carbon sinks. Exploring and developing technological innovations that absorb existing greenhouse gases.

As we are following recommendations from the Science Based Targets initiative (SBTi), as of now, investments in carbon sinks cannot be netted against H&M Group’s Scope 1,2 and 3 CO<sub>2</sub>e emissions. However, we continue to explore this area since we consider it a big part of the planetary solution.

## Materiality

Our vision is to lead the change towards circular and climate positive fashion, while being a fair and equal company. We see it as our role to use our size and scale to lead the change to a truly sustainable fashion future – both for our own business and, together with all the relevant stakeholders, for the entire industry. Our sustainability work focuses on: Leading the change, circular & climate positive and fair & equal.

By being inclusive and by using our size and scale, the H&M Group can contribute to a fairer and more equal world which benefits both our business and the people across our value chain. The H&M Group believes that everyone should be treated with respect and be given the opportunity to express themselves and their personality. This is deeply rooted in the H&M Group’s values and our approach to human rights.

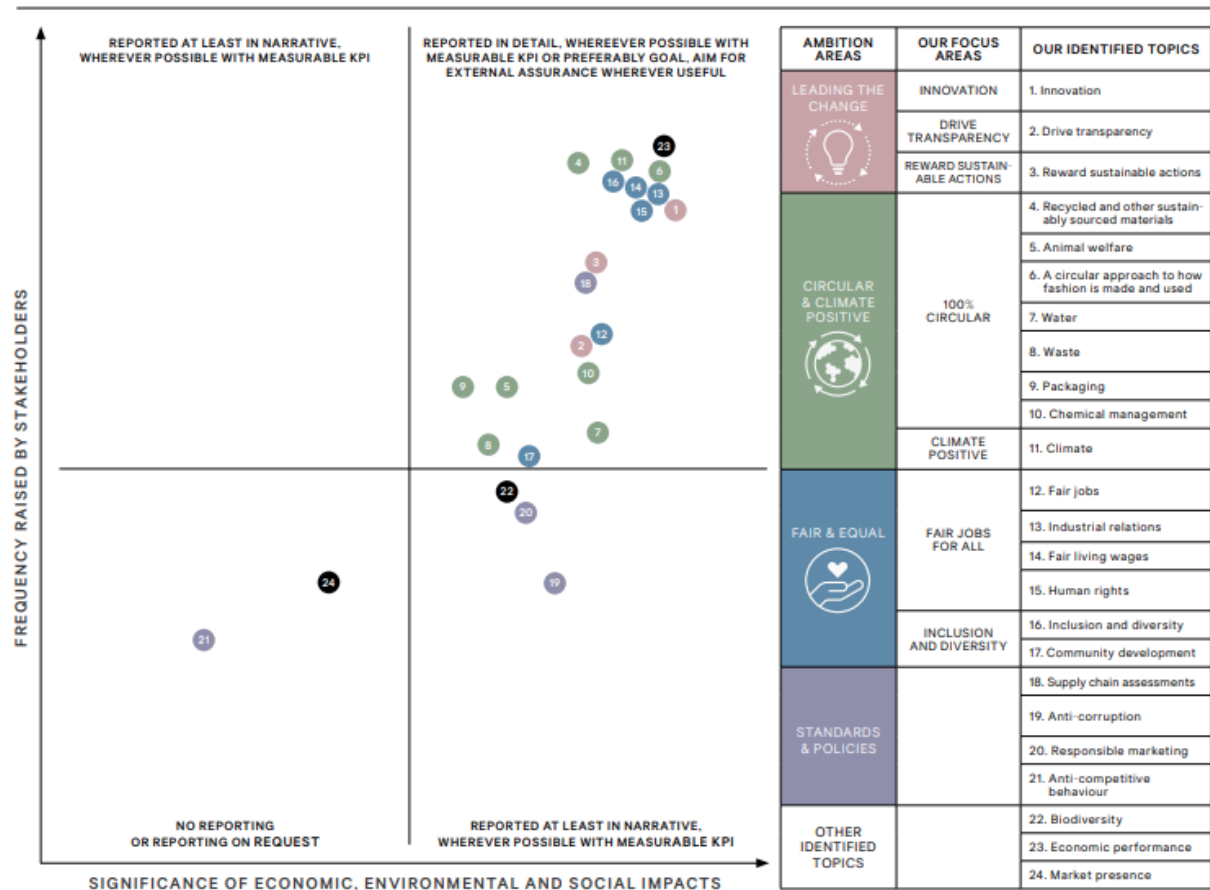
We have a long history of focused sustainability work, starting back in the mid -90’s. Back then, the focus was almost entirely aimed towards social sustainability. We have been the leaders within this area of our industry for decades, changing and challenging our supply chain with everything from occupational health and safety to human rights issues – such as workers’ rights to organise.

We are committed to the UN Sustainable Development Goals (SDGs) both through our strategy, our partnerships and in dialogue with policymakers.

Since 2013, our Fair Living Wage Strategy has guided our approach to working towards improved wages for all textile workers in our supply chain. We exceeded all the 2018 goals we set out in our strategy, but there is more work to do. Our strategy ensures we stay focused on key enabling factors for improving wages in our own supply chain and beyond and we have received a lot of recognition from our NGO partners and stakeholders.

Social sustainability is something that will always be a focus for us. The KPIs in this framework though, are linked to our climate and circularity goals as the targets relating to social sustainability involve qualitative components to a degree which make them ill-suited to be included in a Sustainability-Linked Bond. In order to reach the same leadership position within climate and circularity as we have within social sustainability more focus on these particular goals is needed.

Our latest assessment of topics material to H&M Group was updated in 2019. This assessment is still valid. The assessment largely confirmed our previous materiality framework and supports this framework’s focus on CO<sub>2</sub>e emissions and circularity.



## Governance

The Auditing Committee monitors the company’s financial reporting, including monitoring the effectiveness of the company’s internal control and risk management. This includes, among other things, our climate risks. The performance in relation to the gross list of corporate risks is reviewed and updated by the Auditing Committee. Climate risks are currently identified as one of our major corporate risk clusters. The Auditing Committee has overall responsibility for monitoring the progress of our climate strategy, including our plans and actions to mitigate all risks. The work is led by the Chairman of the Auditing Committee, supported by the other members. The committee has decided to incorporate climate-related risk into the integrated risk management system. Sustainability performance, including climate, is on the agenda at every Board meeting. In addition, deep dives into sustainability, including climate, are made at least twice per year when our Head of Sustainability (CSO) joins the Board meetings.

From an operational aspect, prioritisation of projects will be done within a group consisting of resources from group controlling, global sustainability, treasury and legal plus an ambulating member - depending on which department is involved for the needed investment or suggested activity.

Projects will be prioritized based on their CO<sub>2</sub>e reduction potential, cost per ton of CO<sub>2</sub>e, or their capacity for the enabling of our goals.

A steering-group including, amongst others, the CEO and CFO, with the CFO taking the final decision.

## Transparency

We believe that credibility is crucial for a successful long-term sustainability ambition.

In order to make credible and trustworthy priorities, our transparency work is key, and we aim to be in the forefront of our industry, further strengthening our current position as a global leader of transparency.

Among many other things, we were the first big brand to disclose our complete list of suppliers and we are in number one place for fashionrevolution.org's Transparency Index.

### TOP 10 SCORES IN 2020 (%)

H&M (H&M Group)	73%
C&A	70%
Adidas/Reebok	69%
Esprit	64%
Marks & Spencer	60%
Patagonia	60%
The North Face / Timberland / Vans / Wrangler (VF Corp)	59%
Puma	57%

## Recognition

**CDP.** H&M Group is included in the CDP's 2020 A List, which recognizes companies considered to be pioneers for action on climate change, water and deforestation. Of the 9,600 companies scored in 2020, just 2% made the A List, with H&M Group receiving special recognition for our climate work.

**Dow Jones Sustainability index.** H&M Group has been included in the Dow Jones Sustainability World Index for the seventh year in a row. We are proud to have reached Gold Status, which means that our total score was the highest in our industry category. We are also listed on the Dow Jones European Index this year. In the 2019 assessment, we reached the highest possible score for product quality and recall management, as well as environmental reporting. We also reached the highest scores in our industry for human rights (94/100), packaging (90/100) and supply chain management (92/100).

**Stand Earth.** H&M Group was ranked third in Stand Earth's 2019 assessment of the climate commitments of 45 fashion brands.

**Sustainable Cotton Ranking.** H&M Group was ranked third in the 2019 Sustainable Cotton Ranking.

**Textile Exchange Corporate Fiber & Materials Benchmark Programme.** H&M Group was one of 16 leading companies out of the 170 analysed in the Material Change Index (MCI).

**Walking the Talk Report.** H&M Group was listed amongst the best performers in the 2019 Walking the Talk Report, which analyzes the sustainability communications and actions of Sweden's largest companies.

**Fashion Transparency Index.** H&M Group was ranked in the top five in Fashion Revolution's Fashion Transparency Index, scoring 61% (highest score 64%).

**FTSE4Good.** H&M Group has been independently assessed according to the FTSE4Good criteria and has again this year 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.

**Global 100 Index.** H&M Group was ranked 27th in the 2019 Corporate Knights Global 100 Index of the world's most sustainable corporations, and second in our industry.

**Platform Living Wage.** In the Platform Living Wage 2019 Garment Sector Review, H&M Group was ranked as leading in four categories: policy, integrating findings, tracking, and transparency.





# Sustainability-Linked Bond Framework

This Sustainability-Linked Bond Framework has been developed to be aligned with the Sustainability-Linked Bond Principles (SLBP), established by the International Capital Markets Association (ICMA) in June 2020. The H&M Group may under this Sustainability-Linked Bond Framework issue different securities including bonds and Schuldscheins.

The five core components of the SLBP are:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics
4. Reporting
5. Verification

Sustainalytics will provide a Second Party Opinion on this Sustainability-Linked Bond Framework, which will be made publicly available at H&M Group's website, <https://hmgroup.com/>.

With investments in sustainability being an integral part of H&M Group's strategy for future success, linking our newly established bond programme to our sustainability goals is a natural choice. Sustainability-linked funding will contribute to the awareness within all functions of the H&M Group of our commitment to our set-out goals, as well as offer an opportunity to communicate with investors and other market participants about our work within this area.

## Selection of Key Performance Indicators (KPIs)

The KPIs that have been included for the purpose of this Sustainability-Linked Bond Framework mirror the key environmental sustainability challenges the fashion industry is facing.

In order to safeguard the long-term success of H&M Group, the use of virgin materials must decrease. By focusing our efforts on circularity and especially the use of recycled materials, such a goal is within reach.

By embracing circularity, H&M Group will also take important steps towards decreasing our carbon emissions. In line with other retailers with a global reach, H&M Group's carbon footprint can largely be tracked back to the supply chain. That is why H&M Group has selected the share of recycled materials and CO<sub>2</sub>e emissions as KPIs for this Sustainability-Linked Bond Framework.

### Circularity

KPI 1: Share of recycled materials used in our commercial goods as part of total materials used in our commercial goods.

By recycling used textile fibres the environmental footprint of garments sold can be drastically reduced. Recycled fibres reduce consumption of virgin raw materials and lower the use of chemicals, energy and water.

KPI 1 refers to the EU environmental objective "Transition to a Circular Economy" as well as the United Nations Sustainable Development Goal 12 "Responsible Consumption and Production".

### Greenhouse gas emissions (GHG)

KPI 2: Scope 1 and 2 GHG emissions. Includes CO<sub>2</sub> and other GHG emissions as defined in the GHG Protocol<sup>1</sup>.

KPI 2 refers to the EU environmental objective “Climate Change Mitigation”, as well as the United Nations Sustainable Development Goal 13 “Climate Action”.

KPI 3: Scope 3 GHG emissions. Includes CO<sub>2</sub> and other GHG emissions and is defined as emissions related to fabric production, garment manufacturing, raw materials and upstream transport.

KPI 3 refers to the EU environmental objective “Climate Change Mitigation”, as well as the United Nations Sustainable Development Goal 13 “Climate Action”.

H&M Group acknowledges that the fashion industry is a major contributor to climate change. That is why H&M Group has established a long-term goal to become climate positive by 2040 at the latest. H&M Group has the following targets approved by the Science Based Targets initiative for Greenhouse gas emissions:

- To reduce scope 1 and 2 GHG emissions by 40% by 2030, with 2017 as a baseline.
- To reduce scope 3 GHG emissions from purchased raw materials, fabric and garment production by 59% per product (corresponding to a 20 % reduction of absolute GHG emissions) by 2030, with 2017 as a baseline.

### KPI calculation methodology

KPI 1 is defined as the proportion of recycled materials used in our commercial goods in relation to total materials used in our commercial goods.

Recycled materials have been reprocessed from reclaimed materials by means of a manufacturing process and made into new materials. Recycled materials will be of both pre-consumer and post-consumer origin, will mainly consist of recycled textile, but can also include the usage of waste products from other value chains.

KPI 2 includes scope 1 and 2 GHG emissions. Scope 1 being GHG emissions from H&M Group’s own operations, Scope 2 being indirect GHG emissions from consumption of purchased electricity and heat used in our own operations. H&M Group’s definitions are aligned with the GHG Protocol.

KPI 3 includes scope 3 GHG emissions from upstream activities, more specifically fabric production, garment manufacturing, raw materials and upstream transport. All categories are based on the GHG Protocol. The number of products/spend is multiplied by approximate life-cycle assessment-based conversion factors. Calculations in the footprint analysis are based on a combination of high-quality H&M Group data and the best available public data sources on CO<sub>2</sub>e emissions, using conservative assumptions. Any changes to the calculation methodology, or significant changes in data due to better data accessibility, will result in a change in the baseline. Note that Scope 3, as reported in H&M Group’s Sustainability Report, also includes downstream emissions and so will differ from Scope 3 in KPI 3 which only includes upstream emissions.

<sup>1</sup> “The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition)” published by the World Business Council

for Sustainable Development and the World Resources Institute.

## Calibration of Sustainability Performance Targets (SPTs)

**SPT1: Our aim is to shift from virgin to recycled materials. Currently, about 2% of our materials are recycled and our target is to reach 30% by 2025.**

H&M Group has the long-term goal of having 100% recycled, or other sustainably sourced materials. Recycled material is a limited resource and we must use our size to increase the speed of the transition away from virgin materials, without causing harm in doing so. New technologies must be enhanced and scaled, and new materials must replace the old ones.

**SPT2: To decrease the absolute Scope 1 and 2 CO<sub>2</sub>e emissions by 20% by 2025 from a 2017 base year.**

The scope 1 and 2 reduction targets are set to half of H&M Group's 2030 Targets, which are aligned with a global temperature rise of well below 2 °C and 1.5 °C respectively. The 2030 targets have been validated and approved by the Science Based Targets initiative.

**SPT3: To reduce absolute Scope 3 emissions from fabric production, garment manufacturing, raw materials and upstream transport by 10% by 2025 from a 2017 base-year.**

This target is set to represent half of the trajectory towards H&M Group's 2030 Target which was also approved by the Science Based Targets initiative in 2019.

### Benchmarks

SPT 1: Recycled materials are not yet used on any large scale, hence neither benchmarks nor trajectories exist.

SPT 2 and 3: The Science Based Targets initiative has been engaged to validate H&M Group's CO<sub>2</sub>e reduction target. By benchmarking H&M Group's ambition against the ambition stated in the Paris Agreement an alignment, with both the expectations on climate action from our customers and future policy initiatives, is achieved.

### Strategy to achieve SPT 1

H&M Group's ambition is to become a fully circular business within our entire value chain. This means we move from a linear model – take, use, waste – to a circular model where we maximise resource use and reuse, and where nothing is wasted. This circular strategy applies to our products, as well as to our non-commercial goods such as packaging and items used in store interiors, offices and other buildings.

As a global procurer of garments, H&M Group can increase the demand for recycled materials by requesting suppliers to increase the use of recycled materials. Such a market signal will affect the supply of recycled materials. H&M Group will be a catalysing force in kickstarting the global demand for recycled garment, a route where other actors will follow suit.

Today, only a fraction of H&M Group's garments consists of recycled materials. New technological solutions and production processes must be developed to scale up recycled materials. H&M Group is committed to leading the change and will continue to invest and collaborate with start-ups, peers, and organizations to accelerate progress in this area.

### Strategy to achieve SPT 2 and 3

H&M Group has already made great strides to reduce carbon emissions. Between 2013-2019 scope 1 and 2 CO<sub>2</sub>e emissions have been cut by 83%. This achievement has been made possible by increasing the purchase of renewable electricity thereby reducing scope 2 CO<sub>2</sub>e emissions. The use of renewable electricity is set to increase even more, together with measures to cut energy consumption in stores, and increase the use of rooftop solar or any other renewable energy sources. H&M Group's scope 3 CO<sub>2</sub>e emissions included in KPI 3 are limited to emissions originating from upstream activities.

To reach the CO<sub>2</sub>e related SPTs, H&M Group has identified the following three key areas. Several different measures within these areas have been, or are intended to be, launched. These include, but are not limited to:

#### Energy efficiency:

- Swap regular light bulbs for LED-lighting
- Advise suppliers on how to increase energy savings. For example, H&M Group will create a team of engineers fully devoted to reducing energy consumption among H&M Group's suppliers

#### Renewable energy:

- Reach a diversified renewable energy portfolio through, for example PPAs and solar PV systems
- Ban on new coal fired boilers at suppliers from 2025
- Support our suppliers with financing of emission reduction measures

#### Circularity:

Scope 3 CO<sub>2</sub>e emissions are partially derived from the use of virgin materials. By switching to recycled materials H&M Group's carbon footprint is lowered. H&M Group has several initiatives focusing on reducing the use of virgin material and in other ways optimize the use of resources, such as:

- Support and invest in the development of companies and technologies for the scaling up of recycled materials

### SPT - Level of ambition

SPT 1: Scaling up the use of recycled materials is in its infancy in the fashion industry; thus H&M Group and other circular pioneers face unprecedented challenges requiring the use of new technologies, some of which have not yet been invented. To our knowledge, H&M Group's target for recycled materials is not matched by any fashion producer of H&M Group's scale and reach which should be a testament to both our commitment to sustainability and level of ambition.

SPT 2 and 3: H&M Group's carbon emission targets include both Scope 1,2 and 3 CO<sub>2</sub>e emissions. The targets were assessed and approved by the Science Based Target initiative in December 2019, thus assuring an external reference to the level of ambition.

**Historical KPI performance**

KPI	Description	2017	2018	2019
KPI 1	Recycled materials as a share of total materials used	0,5 %	1,4%	2,2 %
KPI 2	Scope 1 & 2 CO <sub>2</sub> e emissions (tons)	63 690	56 978	61 462
	Scope 1 CO <sub>2</sub> e emissions (tons)	12 484	11 818	13 380
	Scope 2 CO <sub>2</sub> e emissions (tons)	51 206	45 160	48 082
KPI 3	Scope 3 CO <sub>2</sub> e emissions (tons) from upstream activities. Approved by Science Based Target initiative <sup>2</sup> .	13 479 100	13 479 100	13 069 880
	Scope 3 CO <sub>2</sub> e emissions (tons), from upstream and downstream activities	18 215 000	18 215 000 <sup>3</sup>	17 662 000



<sup>2</sup> Emissions related to upstream activities are included in the SBTi approved target, representing 74 % of total Scope 3 emissions.

<sup>3</sup> No update to Scope 3 CO<sub>2</sub>e data was done for 2018

## Security characteristics

The financial characteristics of any security issued under this Framework will be specified in its corresponding security documentation including but not limited to the KPIs and SPTs with the Target Observation Date.

For any securities issued under this Framework, there will only be one Trigger Event impacting the financial characteristics of the security. The Trigger Event will result in a coupon step-up, applying to the relevant securities from the first day of the next interest period immediately following the Reporting End Date (the date falling due 120 days after the Target Observation Date) and until maturity.

The Trigger Event is the result of an observation as to whether, or not, each of the three KPIs individually has achieved their respective SPTs. A step-up of the coupon shall be triggered if:

- A KPI has not achieved the SPT on the target observation date, or
- the reporting does not meet the requirements as set out in the reporting section of this Framework, or
- the verification (as per the verification section of this Framework) of the SPTs has not been provided and made public by the time of the Reporting End Date.

The KPIs are assigned the following relative weight of the aggregate coupon step-up, as specified in the security documentation of each respective SLB issued under this Framework:

KPI	Relative weight of each KPI to the aggregate coupon step-up
KPI 1	40%
KPI 2	20%
KPI 3	40%

The step-up of the coupons can consequently be 0%, 20%, 40%, 60%, 80% or 100% of the total step-up rate as specified in the security documentation of each respective SLB issued under this Framework.

For the avoidance of doubt, if all three KPIs have achieved their respective SPTs, and reporting and verification for all the SPTs have been provided and made public in accordance with the reporting and verification sections of this Framework, the financial characteristics of any security issued by H&M Group under this Framework shall remain unchanged.

### Fallback mechanisms

The levels of CO<sub>2</sub>e emissions during the base-year 2017 for KPI 2 and 3 will be recalculated to reflect any significant changes in H&M Group's structure (e.g., acquisition, divestiture, mergers, insourcing or outsourcing). Recalculated levels of CO<sub>2</sub>e emissions for KPI 2 and 3 will be reported to Science Based Targets initiative. The threshold value for a significant change is a change that impacts the Sustainability Performance Target, in aggregate, by 5 percent or more (which threshold for recalculation is in line with the recommendation by the SBTi). Any recalculations of levels of CO<sub>2</sub>e emissions during the base-year 2017 for KPI 2 and 3 must be reported in the annual Sustainability-Linked Bond Progress Report (see the reporting section below) verified by an independent, qualified external reviewer as outlined in the verification section of this Framework. KPI 1 and its SPT will remain applicable as set out in this Framework regardless of any changes to in H&M Group's structure.

The KPIs and SPTs set out in this framework will remain applicable throughout the tenor of any security issued under the Framework, regardless of any changes to H&M Group's sustainability strategy. This includes any changes relating to the company's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards. However, any changes to the calculation methodology for a KPI or significant changes in data due to better data accessibility will result in a change in baseline. Any new or updated Sustainability-Linked Bond Framework, in relation with any subsequent capital markets transactions, shall not have any implications on the securities issued under this Framework.

## Reporting

In order to provide investors and other stakeholders with adequate information about H&M Group's implementation of our sustainability strategy in general, the progress made on the KPIs, and the achievement or not of the SPTs set out in this Framework and in security specific documentation, H&M Group will provide relevant reporting. The reporting shall be made publicly available on an annual basis in a Sustainability-Linked Bond Progress Report (SLB Progress Report). The SLB Progress Report shall be published on H&M Group's web page no later than 120 days after each calendar year-end, up to and including the Reporting End Date, which is the date falling 120 days post the Target Observation Date.

The SLB Progress Report will form the basis for evaluating the impact on the security characteristics as outlined in section "Security characteristics". The SLB Progress Report will contain all the relevant information needed to assess if any changes to the security characteristics are to be made, including but not limited to:

- The performance of the KPIs, as per the relevant reporting period and when applicable, as per the Target Observation Date including the calculation methodology and baselines where relevant;
- Information about recalculations, if any, of the levels of CO<sub>2</sub>e emissions during the base year 2017 for KPI 2 and 3;
- A verification report relative to the KPIs outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond characteristics; and
- Information on any updates to H&M Group's sustainability strategy and/or governance with an impact on the KPIs and SPTs.

Where feasible and possible the SLB Progress Report will also include:

- Qualitative and/or quantitative explanations of the contribution of the main factors, including M&A activities, behind the evolution of the performance on the KPIs on an annual basis
- Illustration of the positive sustainability impacts of the performance improvement
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope
- Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs.

The performance level against each SPT for each KPI outlined above shall be verified by qualified external reviewer(s) with relevant expertise as described in section "Verification".

## Verification

In order to provide transparency to investors and in alignment with the SLBP, H&M Group will ensure an external and independent verification by one or more qualified external reviewer(s) with relevant expertise, as outlined in the Voluntary Guidelines for External Reviews developed by the Green and Social Bond Principles, of its actual performance level against each SPT for each KPI. The verification shall be conducted with limited assurance by the external reviewer(s). H&M Group has the discretion to change the external reviewer(s) subject to fulfilling the requirements set out herein. The ex-ante reviewer of the Sustainability-Linked Bond Framework shall differ from the ex-post reviewer(s).

The verification of the actual performance relative to the SPTs shall be made public together with H&M Group's SLB Progress Report on the company's webpage no later than 120 days after each calendar year-end, up to and including the Reporting End Date as set out in section "Security Characteristics" and

specified in the security specific documentation. The verification, together with the SLB Progress Report, will form the basis for evaluating any change in the financial characteristics of any securities issued under this Framework as described in the section “Security Characteristics”.

Failure to provide the ex-post verification before the Reporting End Date shall result in an automatic adjustment in the financial characteristics as outlined in the security specific documentation.

## Second Party Opinion

H&M Group has engaged Sustainalytics as an external reviewer to provide, in accordance with the Voluntary Guidelines for External Reviews developed by the Green and Social Bond Principles, an independent, ex-ante Second Party Opinion on H&M Group’s Sustainability-Linked Bond Framework. The Second Party Opinion report will be made publicly available on H&M Group’s website.