



H&M Group
Annual report 2019





Contents

H&M Group in brief	4
Comments by our CEO	8
Our brands	12
H&M	13
H&M HOME	14
Weekday	14
COS	15
& Other Stories	16
Sellpy	16
Afound	16
ARKET	17
Monki	17
Markets and expansion	18
Five year summary	20
The H&M share	21
Corporate governance report including the board of directors	22
Auditor's statement on the corporate governance report	36
Administration report including sustainability report	39
Financial reports	52
Group income statement	52
Consolidated statement of comprehensive income	52
Group balance sheet	54
Group changes in equity	56
Group cash flow statement	57
Parent company income statement	58
Parent company statement of comprehensive income	58
Parent company balance sheet	59
Parent company changes in equity	60
Parent company cash flow statement	61
Notes to the financial statement	62
Signing of the annual report	81
Auditor's report	83
Calendar and contact details	86

H & M Hennes & Mauritz AB's annual accounts and consolidated accounts for the financial year 2018/2019 comprise pages 39–81.

H&M Spring Fashion 2020. Dresses are in focus in H&M's new spring collection, where at least 50 percent of the materials are sustainably sourced. Some of the dresses are made of 100 percent organic cotton, while others include fabrics such as recycled polyester or Tencel™ branded lyocell – a renewable cellulose fibre. See the whole collection at hm.com and read more about the sustainability work of the H&M group at hmgroup.com.

H&M Group

We are a family of brands driven by our desire to make great design available to everyone 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 values

We are one team

We believe in people

Entrepreneurial spirit

Constant improvement

Cost-conscious

Straightforward and
open-minded

Keep it simple

Our values are based on respect for the individual and a belief in people's ability to use their initiative. In the H&M group we encourage everyone to be themselves and to respect others for who they are. Shared values help create an open and down-to-earth corporate culture that promotes collaboration and an entrepreneurial spirit, and where everyone can make a difference. This values-driven way of working has existed ever since the days of our founder, Erling Persson, and continues to play a very important part in the H&M group's sustainable development.

Read more about how we strive for inclusion and diversity on pages 48–51 and at [hmgroup.com](#).

Our transformation work

The rapid shift in fashion retail continues. We are driving transformation based on our strategic focus areas to meet customers' ever-increasing expectations and to secure the H&M group's position. These focus areas are: to create the best customer offering; a fast, efficient and flexible product flow; investments in our tech foundation; and adding growth.

Read more on pages 8–11 and 39–40.

Our brands

The H&M group includes H&M, H&M HOME, COS, Weekday, Monki, & Other Stories, ARKET, Afound and Sellpy. Our brands all have their own unique identity, and they complement each other well. Together they offer a great variety of styles and trends within fashion and accessories, beauty and sportswear as well as interiors. Selected stores, mainly at ARKET, also have cafés with a focus on modern healthy food. To help customers achieve a sustainable lifestyle our brands offer several circular services.

Explore our brands on pages 12–17.

Our sustainability strategy

The H&M group's vision for sustainability is to lead the change towards circular and climate positive fashion while being a fair and equal company. We work according to our ambitious sustainability strategy produced jointly with external and internal experts. Our sustainability work spans the entire value chain, focusing both on our own operations and, together with other stakeholders, the industry in general.

Read more on pages 46–51 and at [hmgroup.com](#).

We are set to reach the aim of sourcing

100%

of our cotton in a more sustainable way by 2020. This includes cotton which is recycled, organic or sourced through the Better Cotton Initiative. In 2019, 97% of our cotton was sourced in a more sustainable way, up from 95% in 2018.

Digital expansion and integrated channels

Our brands are reaching more and more customers. Expansion is taking place online, through stores, digital marketplaces and external platforms. Physical and digital channels are increasingly integrated, and the store portfolio is optimised to ensure a relevant presence in each market.

See market overview on pages 18–19.

233

billion Swedish kronor in net sales in 2019,
+11% in SEK and +6% in local currencies.

+24%

online sales growth in SEK in 2019,
+18% in local currencies.

Climate positive value chain

The H&M group aims to be climate positive throughout our value chain by 2040.

The main priorities for getting there are increased energy efficiency, renewable energy and carbon sinks that can absorb unavoidable greenhouse gas emissions. Fundamental to the H&M group's climate work is our ambition to become fully circular.

Read more about the H&M group's climate work on pages 46–49.

From one store in 1947 to 179,000 colleagues around the world

In 1947 Erling Persson opened a ladieswear store called Hennes with the idea of making fashion available and affordable to all. The store in Västerås would soon be followed by more. Today, the H&M group is a global design company employing around 179,000 people. We continue to be driven by a desire to create the best offering and the best experience for our customers in a sustainable way.

Follow our journey at [hmgroup.com](#).

Initiatives for an improved customer experience

Our aim is to continually enhance the customer experience. Initiatives and improvements are ongoing throughout the supply chain – from design and product development to increased integration of physical stores and online – to make the experience easy and inspiring for customers wherever we meet them.



VISUAL SEARCH

Visual search is available in 31 markets and uses image recognition to help customers move directly from inspiration to purchase.



CLICK & COLLECT

Click & collect is offered in 14 markets, where customers can pick up online orders in stores. More markets will be added in 2020.



SCAN & BUY

Scan & buy is available in all H&M's online markets. The customer scans the QR code on a product in store to find and buy the item online in the size and colour they want.



FIND IN STORE

Find in store is offered in 22 markets with continued rollout in 2020. Using their mobiles customers can see in which stores a specific item and size is available.

Recommended size helps customers find the right size online based on past purchases and is available in 20 markets.



IN-STORE MODE

In-store mode allows customers to see on their mobile which items are available in the store they are currently in, as well as online. The service is available in 13 markets.



ONLINE RETURNS IN STORE

Online returns in store is available in 16 markets with continued rollout in 2020.

Next day delivery is offered in 14 markets with more to be added in 2020.



The H&M group's brands are testing innovative new services such as garment rental, second-hand commerce, made-to-measure jeans, repairs, alterations and climate-smart deliveries – all to help customers achieve a sustainable lifestyle.

#HMxME invites customers to share their fashion stories from Instagram while also providing an easy way to buy the items in the images. #HMxME is now in most of H&M's online markets.



GARMENT COLLECTING

The H&M group collects used clothes and home textiles, from any brand and in any condition, for reuse and recycling. In 2019 customers brought 29,005 tonnes of textiles into stores globally – up from 20,649 tonnes in 2018.

RFID (Radio Frequency Identification) is currently in 18 H&M markets and more markets will be added in 2020. The global rollout of RFID is continuing with COS and & Other Stories, and will also begin for the other brands in the H&M group this year.



CEO letter

2019 was a year when we started to see a return on many of our long-term investments – in the form of greater customer satisfaction and increased profits, among other things. Together we have now laid the foundation for a bright future for the H&M group, and our pace of change remains fast.



The H&M group's transformation work continues to bear fruit. Our well-received collections and increased market share show clearly that customers appreciate the initiatives we are taking. In 2019 full-price sales increased and markdowns decreased, contributing to an improvement in profit for the full year and a strong fourth quarter. Operating profit increased by 12 percent for the full year and 25 percent in the fourth quarter, while the level of activity in our transformation work remained high. The composition and level of the stock-in-trade continued to improve, and the company's free cash flow increased by more than SEK 10 billion compared with the previous year to SEK 18.5 billion.

The group's sales for the year increased by 11 percent in SEK and by 6 percent in local currencies. The sales growth was driven by both in-store and online sales, with a strong increase in online sales of 24 percent in SEK and 18 percent in local currencies.

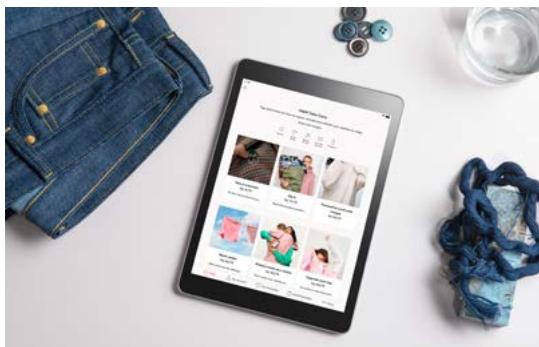
This positive performance shows that we are on the right track. I would like to thank all employees of the H&M group for their fantastic work and commitment over the past year. It is pleasing to note that the increase in full-year profits means we can contribute a further SEK 86 million to the H&M Incentive Program, which is for all employees of the H&M group.

LONG-TERM INVESTMENTS

In view of the ongoing transformation of fashion retail, we have been making significant and necessary investments for several years to secure the H&M group's position and long-term development. Among other things, we have invested in digitalisation, a more efficient supply chain – including new logistics centres and logistics systems, and in tech infrastructure, advanced analytics and AI. We are now seeing multiple positive effects of these initiatives, providing resources and support for our continued transformation work. One example of the changes that are under way is the creation of our new Business Tech function, which will gradually replace the previously separate functions of IT, Advanced Analytics & AI and Business Development, and where agile teams will work cross-functionally to increase our flexibility, speed and efficiency.

THE BEST CUSTOMER EXPERIENCE

Our highest priority is to ensure the best customer offering for all our brands and we will continue to invest going forward in order to offer the best combination of fashion, quality, price and sustainability. Customers' expectations are increasing at an ever faster rate, and this applies not just to our assortment. We must also continue to improve the shopping



At hm.com customers can find tips on how to mend, wash and refresh clothes to make them last longer. Stores are also testing services such as repairs, alterations and rental service.

experience, both online and in our physical stores.

We are testing out many new ideas in the physical stores to make the experience more inspiring and to make it easy for customers to shop. We have had a positive response to many of our tests, and as we upgrade and open new stores we will continue with the solutions that we see working best. During the year our brands also launched various new services to help our customers achieve a sustainable lifestyle, such as repairs and garment rental, made-to-measure garments and second-hand sales. The online experience is continually being improved, with better navigation and product visuals as well as more convenient payment options, faster delivery and climate-smart delivery options. The transformation of the industry is changing the role of physical stores and we are benefiting from digitalisation in our store network, which is being increasingly integrated with online. We are continuing to roll out services such as click & collect and online returns in store, along with digital services that make it easy for customers to enjoy our full assortment of products regardless of channel.

ADAPTING TO CHANGING BUYING PATTERNS

As we adapt to changes in the way that customers shop, we are accelerating our optimisation of the store portfolio – including renegotiations, closures and rebuilds – to ensure a relevant presence in each market. In 2020 we plan to open around 200 new stores, while around 175 stores will close. Most of the store openings will be in South America, Russia, Eastern Europe and Asia (excluding China), while the closures will take place mainly in Europe, the US and China.

The H&M group recently entered into an agreement with a new franchise partner in Central America, where the first H&M store is expected to open in Panama at the end of 2020. At the same time, our digital expansion continues. During the year we look forward to opening H&M online in Australia and to launching H&M on the ecommerce platform SSG.COM in South Korea.



H&M's store in Mitte Garten, Berlin, is designed as a perfect fit for customers in the local area, offering curated fashion from both H&M and external brands as well as hand-picked vintage pieces and exciting events.

Our other brands are also becoming available to more and more customers globally, and we see further good growth opportunities for all of them. In 2019 we also increased our stake in the company Sellpy, a rapidly growing digital platform for selling second-hand items, where we are now the majority shareholder. This investment aims to support Sellpy's international expansion and is one of many examples of how we are exploring and working on new circular business models.

SUSTAINABLE DEVELOPMENT

We take a long-term view of our business and continue to develop new concepts and business models aimed at adding profitable growth and contributing to sustainable development. We are convinced that our sustainability initiatives are good for the company, and can see that both our customers and our employees care very much about these issues. We want to help drive the fashion industry in a more sustainable direction, with faster development of circular solutions, reduced energy consumption and greater use of renewable energy. We have ambitious materials targets, including that all our materials are to be recycled or otherwise sustainably sourced by 2030. The H&M group also aims to be a fair and equal company, working extensively for good working conditions in the supply chain.

We believe that more collaboration, shared knowledge and increased transparency is the way forward for solving the environmental challenges faced by the industry. Organisations such as CDP have named us as one of the world's leading companies in the work to counter climate change. CDP has included the H&M group in its A List of companies leading on environmental transparency and performance, noting our work to mitigate climate risk and contribute to the transition to a fossil-free economy. The H&M group is also ranked among the 30 most sustainable corporations in the world according to the Corporate Knights Global 100 index for 2020. We are pleased that our sustainability work is attracting attention, while also being well aware that there is a lot more for us and the industry to do.

LOOKING AHEAD

Looking ahead, we remain humble considering the challenges brought by the shift in fashion retail in the form of new consumer behaviours and a fast-changing competitive landscape. The H&M group's transformation work is therefore continuing at a fast pace in all parts of the company.



Through its investment arm CO:LAB, the H&M group in 2019 increased ownership in Sellpy, a digital platform making it easy for people to sell and buy second-hand.



Performance over the past year shows that we are taking steps in the right direction. Combined with our long-term investments and our ambitious sustainability agenda, we are therefore optimistic about the future and the opportunities for the H&M group to develop positively for many years to come.

NEW CEO HELENA HELMERSSON

After more than 20 years as chairman of the board, Stefan Persson has decided not to stand for re-election at this spring's AGM on 7 May. Stefan would like me to take over as chairman of the board at the AGM, and the board has decided to appoint Helena Helmersson as my successor in the role of CEO.

In Helena we will have a great, experienced leader who embodies our values and has many years of solid experience from various parts of our business. Helena joined H&M in 1997 and has worked in areas such as buying and production, in positions including head of sustainability, head of production and – most recently – chief operating officer (COO) with responsibility for expansion, logistics, production, IT and Advanced Analytics & AI as well as Insights & Analytics.

My commitment to the company remains as strong as ever, but I will take on a new role. I am very much looking forward to taking over as chairman provided that the AGM approves the nomination committee's proposal. Stefan, too, will continue to be just as committed an owner as today, but from a different position.

I am proud of what all of us in the company have achieved together to date: our strong position with many well-established brands and millions of customers all around the world, our fantastic colleagues and strong culture, our leading position on sustainability and our sound financial strength. We have laid the foundation for a bright future and I am confident in handing over to Helena knowing that, along with her team and colleagues around the world, she will drive forward the plan we have established and will continue to develop the H&M group on our future journey.

A handwritten signature in black ink, appearing to read "Karl-Johan Persson".

Karl-Johan Persson
CEO (up to and including 29 January 2020)
H & M Hennes & Mauritz AB

Strategic focus areas

We are driving our transformation work based on our strategic focus areas in order to meet customers' ever-increasing expectations and to future-proof the H&M group.

CREATE THE BEST CUSTOMER OFFERING

Product assortment – secure the best combination of fashion, quality, price and sustainability for all the brands.

Physical stores – continued development of new concepts and optimisation of the store portfolio.

Online stores – improvements such as faster and more flexible delivery and payment options.

Continued integration of our physical stores and online to enhance the customer experience.

FAST, EFFICIENT AND FLEXIBLE PRODUCT FLOW

Make the supply chain even faster, more flexible and more efficient.

Initiatives within advanced data analytics and AI.

INVESTMENTS IN INFRASTRUCTURE – OUR TECH FOUNDATION

Continued investments in our tech foundation including robust scalable platforms that enable faster development of new customer apps and technologies.

ADDING GROWTH

Digital expansion into new markets.

Physical stores – continued expansion with a focus on growth markets.

Develop new concepts and business models.



Helena Helmersson, new CEO of H & M Hennes & Mauritz AB since 30 January 2020.

The customer and sustainability in focus as we accelerate our transformation

Helena Helmersson, new CEO of the H&M group, sees great potential for the H&M group to continue expanding and lead the development towards a sustainable fashion industry.

"It is our colleagues in the H&M group that make our company unique and I am delighted to take over the role of CEO. I am very incentivised and humbled by the task ahead of me. Naturally it is a great responsibility, but I have a very capable team around me and it's going to be a very exciting journey.

Together with my colleagues I will drive our plan and our transformation work forward with a focus on the customer, to continue strengthening our financial development in the short and long term. Customer focus, sustainability, people and our culture are matters that are particularly close to my heart and I see them as key to creating meaningful growth.

The world around us is changing fast, as are customers' expectations, and it is of the greatest importance that we continue to develop our customer offering and the customer experience. This work includes our initiatives in digitalisation and tech, as well as improvements all along the supply chain to ensure that we always have the right product in the right place at the right time. It is also a question of sustainability; we must not produce more than we can sell.

We need to continue our sustainability work so that we are resilient



H&M Conscious Exclusive, spring 2020. The collection is made of sustainable, innovative materials such as recycled polyester, CIRCULOSE®, made of chemically recycled fibres, and the leather alternative VEGEA™, made of discarded grape skins and stalks.

and ensure the sustainable use of resources. We are continually working to make our business model more circular and, among other things, are looking at new revenue streams and new ways of delivering fashion to our customers. Most of all, we are working towards our long-term goal that all our materials are recycled materials or from other sustainable sources. Our global garment collecting is one of many important initiatives that, together with sustainable innovations, have the potential to contribute to this in the longer term.

The climate and the environment demand not just that we get a lot done on our own. Everyone needs to work together. That applies to legislation, investments, new technology and continued innovation in the industry in the areas of recycling, renewable energy and materials.

We have very high ambitions. Our greatest competitive strength is our culture, that we live our values. It is therefore incredibly important that we keep and constantly reinforce the company culture. There is great potential for the H&M group to expand with existing and new brands, with new types of partnerships and to lead the development towards a sustainable fashion industry."

Our brands

The H&M group's brands each have their own unique identity. Together they offer customers around the world a wealth of styles and trends in fashion and design.

The H&M group includes H&M, H&M HOME, COS, Weekday, Monki, & Other Stories, ARKET, Afound and Sellpy. With their own unique identities and profiles, our brands complement each other well. H&M offers a great variety of styles and trends with concepts within fashion and accessories, beauty and sportswear as well as interiors from H&M HOME. Selected stores, mainly at ARKET, have cafés with a focus on modern healthy food. In 2019 several of the brands launched new circular services to help customers achieve a sustainable lifestyle. We also increased our stake in Sellpy, a digital platform for selling second-hand items, making the H&M group the majority shareholder.

Our brands share a passion for fashion, design and quality at the best price in a sustainable way. Sustainability and greater transparency are very important to today's increasingly engaged, conscious customers and therefore an important part of our work to create the best offering and the best experience for our customers. The H&M group's sustainability vision is to lead the change towards circular and climate-positive fashion as a fair and equal company. In 2019, we continued exploring innovative new materials – both in collaboration with others and in our own innovation hub – with the aim of accelerating the development of large-scale circular solutions.

The H&M group's brands offer products that are made to last and can be enjoyed time and time again. In response to customers' growing interest in circular fashion, we are also developing services such as



clothes rental, garment repair and second-hand commerce, with a view to extending the life of the garments even further. Stores around the world have had garment collecting boxes for several years, making it easy for customers to hand in old clothing for reuse and recycling.

More transparency is needed so that customers can make well-informed choices and help bring about positive change. The H&M group was one of the first fashion companies in the world to publish its list of suppliers, and brands H&M, H&M HOME and ARKET, also give detailed information by product, about the supplier, the factory where it was made and the materials used.

Each brand within the H&M group works to continually improve the assortment and the customer experience. Physical stores and online are becoming more and more integrated, making the experience inspiring and convenient across channels. Digitalisation and new technology are increasing availability in all channels and make it possible to tailor the store experience to appeal to local customers through a curated selection of products and services, the look and feel of the store and local collaborations. Using AI and advanced data analytics, we can create a more relevant offering for the individual customer, personalise communication and develop new services such as custom-made garments – all of which help use resources more sustainably. Read more about our brands on the following pages.



H&M's upgraded customer loyalty programme now has over 65 million members and is available in around 20 markets. More markets will be added in 2020, including India and South Korea.



H&M has collections for women, men, teenagers, children and babies and is present in 74 markets – 51 of which also offer online sales.



H&M is a fashion brand offering everyone a chance to explore their personal style. All seasons, all styles, all welcome! H&M always strives to offer the very best combination of fashion, quality, price and sustainability with collections for women, men, teenagers, children and babies. Customers will find everything from unique designer collaborations and motivational sportswear to affordable wardrobe essentials, beauty products and dazzling accessories. Visit hm.com for more information or follow @HM for daily inspiration and the latest styles.

hm.com



H&M customers in the Netherlands can opt to have online orders delivered by bicycle. It is planned to roll this out to additional markets in 2020.



H&M Beauty offers a wide range of beauty products for all styles, tastes and needs – from make-up and hair styling to perfume and bodycare.



In November 2019, H&M HOME launched its first-ever designer collaboration, Jonathan Adler x H&M HOME. The collection offered a range of decorative items including vases, boxes, cushions and candles – all reflecting the American designer's colourful, glamorous style.

H&M HOME

H&M HOME is a design-driven interior brand offering fashion-forward decor and accessories for every room and style. The assortment ranges from high-quality bedlinen and timeless dinnerware to stylish textiles, furniture and lamps; with contemporary style and attention to detail at its core. By merging modern design and quality with affordable prices,

H&M HOME enables interior lovers across the world to create their dream homes. H&M HOME was launched online as a home textiles concept in 2009. The assortment has been expanded throughout the years and rolled out to many markets. Today H&M HOME is available at shop-in-shops in H&M stores and online, and through standalone H&M HOME concept stores.

hm.com/home



WEEKDAY

Weekday is a Swedish denim and fashion brand influenced by youth culture and street style. Founded in 2002, Weekday is offered online in 19 markets in Europe and as of late 2019 also delivers to around a further 70 markets globally. Weekday has 54 stores in 14 countries, offering a unique retail experience and a curated mix of women's and men's assortments as well as a small selection of external brands. Weekday has been part of the H&M group since 2008.

weekday.com





COS started the first in-house alteration service for customers in 2019, in its Cheongdam store in Seoul, South Korea.



COS

COS offers reinvented classics and wardrobe essentials for women, men and children. Designed to live beyond the season, the collections merge lasting quality with timeless design. Committed to supporting the world of art and design through collaboration, COS partners with established and emerging artists, studios and galleries globally, creating unique brand projects alongside seasonal fashion collections. One of these projects in 2019 was the collaboration

COS x Mamou-Mani, an installation in 3D-printed renewable materials shown at the Salone del Mobile in Milan. COS is continuing its sustainability work with the spring summer 2020 collection featuring garments made of materials such as vegetable-dyed fabric and sustainably sourced cotton. COS is offered online in 22 markets and as of late 2019 also delivers to around a further 70 markets globally. COS has 291 stores in 44 markets.

cosstores.com



In 2019, COS launched the Restore collection at selected stores in Germany, the Netherlands and Sweden - an initiative to repair and sell on garments from previous seasons.

& other Stories

& Other Stories offers a wide range of shoes, bags, accessories, beauty products and ready-to-wear for women. In design ateliers in Paris, Stockholm and Los Angeles, & Other Stories creates collections with great attention to detail and quality. Successfully launched in 2013, & Other Stories has 71 stores in 20 markets along with an online store in 22 markets, including in China where & Other Stories was launched on the ecommerce platform Tmall in 2019. In addition, as of late 2019 the brand delivers to around a further 70 markets globally.

stories.com



As part of its ambition to create long-lasting wardrobe treasures, & Other Stories in Sweden also offers second-hand items via its own shop-in-shop on the Sellpy platform.

SELLPY

Founded in 2014, Sellpy has grown to become a broad digital platform for second-hand fashion and other products. With its vision of enabling everyone to consume and live in a more circular way, Sellpy has created a unique service that makes it easy for people to buy and sell second-hand items. Since 2019, the H&M group has been the majority owner of Sellpy. Currently available in Sweden, Sellpy is preparing for international expansion, with a planned launch in Germany in 2020.

sellpy.se

AFOUND

Afound is a marketplace for deals. With a mission to give fashion new life, Afound makes it easy to find pre-existing collections from past and present seasons – always at a reduced price. The digital marketplace and Afound's physical stores offer a wide assortment including hundreds of fashion and lifestyle brands for women, men and kids. Afound was launched in June 2018 in Sweden. In October 2019 Afound launched online in the Netherlands – its first market outside of Sweden.

afound.com

ARKET

ARKET is a modern-day market with quality clothing and accessories for men, women and children, and a selection of home-ware items. ARKET's mission is to democratise quality through widely accessible, well-made, durable products, designed to be used and loved for a long time. ARKET opened its first store on Regent Street, London in August 2017 and today has 20 stores in the UK, Sweden, Germany, Denmark, Belgium, the Netherlands and Luxembourg. In addition to online stores in 19 European markets, as of late 2019 ARKET delivers to around a further 70 markets globally. The head office and design studio is located in Stockholm.

arket.com



At arket.com information tells customers in which factories the garments were made. In addition to products for men, women, children and the home, most of ARKET's stores also have a health conscious café.



MONKI

Monki is a storytelling brand that offers great fashion at competitive prices, aiming to be kind to the world and the people in it. The brand mixes Scandinavian cool with creative street style and is all about being brave, friendly and fun while empowering young women to stand up for themselves - and others. Besides shopping online in 19 markets, as of late 2019 customers can order from monki.com for delivery to around a further 70 markets. Customers can also experience Monki in 130 stores in 19 markets.

monki.com



As part of Monki's campaign Inner Outer Nature, the brand hosted a day in London dedicated to self-care, with activities ranging from yoga to panel discussions about the importance of taking time for yourself.

Markets per brand

The H&M group is expanding both online and through stores, digital marketplaces and external platforms. While adaption to changes in customers' shopping patterns is accelerated, our brands are reaching more and more customers globally.

BRAND	NEW STORES (NET) DURING THE YEAR	NUMBER OF STORES 30 NOV 2019	NUMBER OF MARKETS WITH STORES	NUMBER OF MARKETS WITH ONLINE
H&M	59	4,492	74	51
COS	21	291	44	22*
WEEKDAY	16	54	14	19*
MONKI	3	130	19	19*
H&M HOME **	3	11	51	42
& other Stories	1	71	20	22*
ARKET	4	20	7	19*
AFOUND	2	7	1	2

* Global selling: since the end of 2019 customers in around 70 new markets are able to shop online at COS, Weekday, Monki, & Other Stories and ARKET.
The exact number of markets per brand that have this new service varies.

** Concept stores. H&M HOME is also included with shop-in-shop in 383 H&M stores.

The H&M group continues its expansion. Work to roll out online globally to all H&M's existing markets and to other markets as well, continued in 2019. H&M and H&M HOME opened online in Mexico and H&M via franchise in Indonesia, Thailand and Egypt – making H&M's online store available in 51 markets. Besides this, H&M was launched on India's leading ecommerce platform Myntra.

COS, Monki, Weekday, & Other Stories and ARKET all opened online stores in Norway during the year. In addition, & Other Stories opened online in Portugal, Slovenia, Slovakia, Hungary and the Czech Republic and was also launched on the ecommerce platform Tmall in China. Afound established its digital marketplace in the Netherlands. A new global delivery and returns service meant that by the end of 2019 customers in around 70 new markets were able to shop online at COS, Weekday, Monki, & Other Stories and ARKET. The exact number of markets per brand that have this new service varies.

In 2019 the H&M group increased its shareholding in Sellpy – a digital platform for selling and buying second-hand items – and is now the majority shareholder. Currently available in Sweden, Sellpy is preparing for international expansion.

With the addition in 2019 of the first H&M stores in Bosnia-Herzegovina,

Belarus and, via franchise, Tunisia, there are now H&M stores in 74 markets. In 2019 Iceland became a new store market for COS, Weekday and Monki, while Weekday, & Other Stories and ARKET opened their first stores in Luxembourg. COS also opened in Lithuania and Slovakia, & Other Stories in Latvia and Weekday in Poland and Switzerland. Poland also became a new store market for Monki, as did the United Arab Emirates, via franchise.

Adaptation to changes in customers' shopping patterns was accelerated during the year. The net addition of new stores for full-year 2019 was 108, rather than 175 as communicated at the beginning of the year. A total of 200 new stores are planned for the 2020 financial year including franchise stores, and there will be around 175 closures – making a net addition of around 25 stores. The majority of the openings will be in South America, Asia (excluding China) and in Russia and Eastern Europe, while the closures will take place mainly in Europe, the US and China.

Australia is scheduled to become a new H&M online market in the second half of 2020. H&M will also be launched on the ecommerce platform SSG.COM in South Korea during 2020. An agreement has been signed with a new franchise partner in Central America, where a first H&M store is planned for Panama at the end of 2020.

Market overview

MARKET	NET SALES 2019 (SEK M)	NET SALES 2018 (SEK M)	NEW STORES (NET) DURING THE YEAR	NUMBER OF STORES 30 NOV 2019	MARKET	NET SALES 2019 (SEK M)	NET SALES 2018 (SEK M)	NEW STORES (NET) DURING THE YEAR	NUMBER OF STORES 30 NOV 2019
Sweden*	8,993	8,404	2	177	Croatia*	779	719		16
Norway*	5,085	4,964	-3	127	Singapore*	822	801	2	14
Denmark*	5,157	5,045	-1	112	Bulgaria*	672	635		21
UK*	14,897	13,760	1	305	Latvia*	365	356	1	9
Switzerland*	5,676	5,145	-1	99	Malaysia*	1,360	1,177		47
Germany*	33,540	32,367	-2	466	Mexico*	3,685	2,854	7	52
Netherlands*	6,813	6,465	-6	138	Chile	1,834	1,488	2	15
Belgium*	4,214	3,815	2	98	Lithuania*	397	351	1	10
Austria*	5,302	4,901		87	Serbia	459	423	1	14
Luxembourg*	490	406	5	15	Estonia*	406	381	1	13
Finland*	2,530	2,412	1	68	Australia	2,539	2,283	5	49
France*	12,196	11,311	-2	235	Philippines*	1,273	1,007	6	40
USA*	29,976	24,798	15	593	Taiwan*	650	627		12
Spain*	7,930	7,373	-5	167	Peru	970	763	2	13
Poland*	6,336	5,285	4	190	Macau*	125	120		2
Czech Republic*	1,789	1,610		52	India*	2,007	1,408	8	47
Portugal*	1,309	1,179	-3	29	South Africa	937	842	4	27
Italy*	8,401	7,630	2	181	Puerto Rico*	122	80		2
Canada*	5,094	4,569	1	95	Cyprus*	87	79		1
Slovenia*	505	488		12	New Zealand	401	284	4	8
Ireland*	1,181	1,104		24	Kazakhstan	221	203	3	6
Hungary*	1,903	1,646		47	Colombia	528	405	3	7
Slovakia*	813	750	2	27	Iceland	251	192	3	6
Greece*	1,869	1,718		35	Vietnam	434	271	2	8
China*	12,059	10,743	-10	520	Georgia	120	102	1	3
Hong Kong*	1,448	1,502	-1	26	Ukraine	224	57	1	3
Japan*	4,987	4,573	14	105	Uruguay	332	64	2	3
Russia*	6,852	5,737	8	147	Bosnia-Herzegovina	32		1	1
South Korea*	2,213	1,957	7	53	Belarus	15		2	2
Turkey*	2,797	2,852	-2	66	Franchise** and other	5,711	5,620	17	272
Romania*	2,642	2,299	1	57	Total	232,755	210,400	108	5,076

* Market with online sales.

** United Arab Emirates*, Kuwait*, Qatar, Saudi Arabia*, Egypt*, Bahrain, Oman, Lebanon, Israel, Morocco, Jordan, Thailand*, Indonesia* and Tunisia.

Five year summary

1 DECEMBER – 30 NOVEMBER

FINANCIAL YEAR	2019	2018	2017	2016	2015
Net sales, SEK m	232,755	210,400	200,004	192,267	180,861
Change in net sales from previous year in SEK, %	+11	+5	+4	+6	+6
Change in net sales previous year in local currencies, %	+6	+3	+3	+7	+11
Operating profit, SEK m	17,346	15,493	20,569	23,823	26,942
Operating margin, %	7.5	7.4	10.3	12.4	14.9
Depreciation and amortisation for the year, SEK m	11,051	9,671	8,488	7,605	6,399
Profit after financial items, SEK m	17,391	15,639	20,809	24,039	27,242
Profit after tax, SEK m	13,443	12,652	16,184	18,636	20,898
Cash and cash equivalents and short-term investments, SEK m	12,312	11,590	9,718	9,446	12,950
Stock-in-trade, SEK m	37,823	37,721	33,712	31,732	24,833
Equity, SEK m	57,069	58,546	59,713	61,236	58,049
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	8.12	7.64	9.78	11.26	12.63
Equity per share, SEK*	34.48	35.37	36.08	37.00	35.07
Operating cash flow per share, SEK*	17.51	12.86	13.04	14.36	14.54
Dividend per share, SEK	9.75**	9.75	9.75	9.75	9.75
Return on equity, %	23.3	21.4	26.8	31.2	38.1
Return on capital employed, %	23.0	21.2	31.0	39.2	49.3
Share of risk-bearing capital, %	51.0	53.5	61.0	67.1	72.7
Equity/assets ratio, %	47.4	49.3	56.0	62.1	67.6
Total number of stores	5,076	4,968	4,739	4,351	3,924
Average number of employees	126,376	123,283	120,191	114,586	104,634

* Before and after dilution.

** Proposed by the board of directors.

For definitions of key figures see page 78.

The H&M share

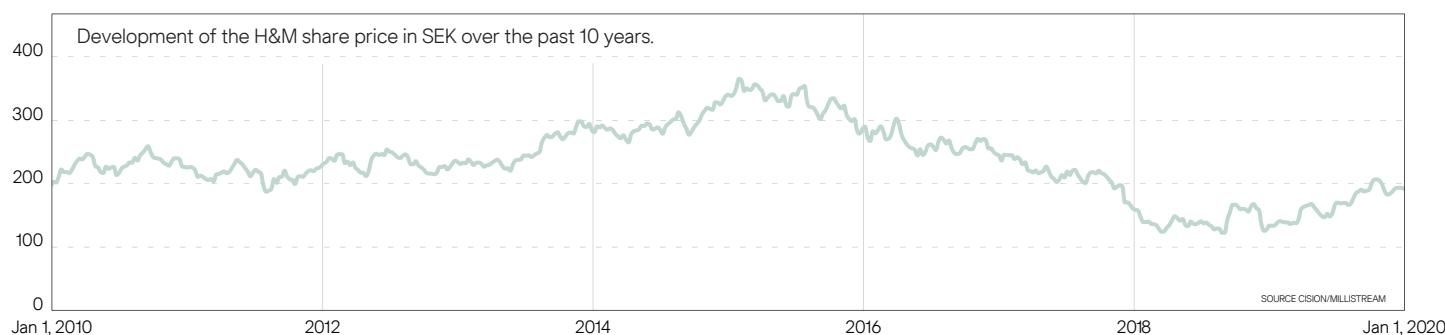
KEY RATIOS PER SHARE	2019	2018	2017	2016	2015
Equity per share, SEK	34.48	35.37	36.08	37.00	35.07
Earnings per share, SEK	8.12	7.64	9.78	11.26	12.63
Change from previous year, %	+6	-22	-13	-11	+5
Dividend per share, SEK	9.75*	9.75	9.75	9.75	9.75
Share price on 30 November, SEK	184.84	167.64	197.10	267.90	323.50
P/E ratio	23	22	20	24	26

* Proposed by the board of directors.

DISTRIBUTION OF SHARES, 30 NOVEMBER 2019

SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDER
1-500	192,366	81.7	23,570,339	1.4	123
501-1,000	20,572	8.7	16,209,900	1.0	788
1,001-5,000	18,001	7.6	39,923,787	2.4	2,218
5,001-10,000	2,267	1.0	16,637,925	1.0	7,339
10,001-15,000	661	0.3	8,304,606	0.5	12,564
15,001-20,000	413	0.2	7,357,943	0.4	17,816
20,001-	1,262	0.5	1,543,067,500	93.3	1,222,716
Total	235,542	100.0	1,655,072,000	100.0	7,027

MAJOR SHAREHOLDERS, 30 NOVEMBER 2019	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
The Stefan Persson family and related companies	792,550,218	74.7	47.9
STATE STREET BANK AND TRUST CO, W9	99,606,335	2.9	6.0
The Lottie Tham family and related companies	88,680,400	2.6	5.4
Swedbank Robur Fonder	34,057,377	1.0	2.1
BNY MELLON NA (FORMER MELLON), W9	25,480,891	0.8	1.5
Nordea Funds	24,432,550	0.7	1.5
BNY MELLON SA/NV (FORMER BNY), W8IMY	22,909,278	0.7	1.4
AMF – Försäkring och Fonder	21,249,683	0.6	1.3
IH CAPITAL HC1 AB	20,073,068	0.6	1.2
FJÄRDE AP FONDEN	20,064,867	0.6	1.2



For more information see the investor relations section at hmgroup.com.

Corporate governance report 2019

H & M Hennes & Mauritz AB

Sound corporate governance ensures that companies are managed as sustainably, responsibly and efficiently as possible in the interests of the shareholders. It is a matter of complying with external regulations and doing the right thing. At H&M, our values and global policies and guidelines are important tools in our approach to the world around us. Our Code of Ethics, which is signed by all our employees who have business relationships and by all business partners, clearly states our approach to doing business. Acting consistently and with a strong ethical compass is highly important, because we operate in many different markets that have different challenges and where the laws, environmental requirements and social conditions may differ.

H & M Hennes & Mauritz AB is a Swedish public limited company. H&M's class B share is listed on Nasdaq Stockholm. H&M applies the Swedish Corporate Governance Code (the Code) and has prepared this corporate governance report in accordance with the Annual Accounts Act and the Code. H&M has applied the Code since 2005. The report, which covers the 2018/2019 financial year, was prepared by the company's board of directors and has been reviewed by the company's auditors.

H&M is governed by both external regulations and internal control documents.

Examples of external regulations that affect H&M:

- The Swedish Companies Act
- Accounting legislation including the Swedish Bookkeeping Act and Annual Accounts Act
- MAR, EU Market Abuse Regulation (596/2014/EU)
- Nasdaq Stockholm Rules for Issuers
- The General Data Protection Regulation (GDPR)
- Swedish Corporate Governance Code (the Code), which is available at corporategovernanceboard.se. The Code is based on the principle of "comply or explain", which means that companies applying the Code may deviate from individual rules provided they give an explanation of the deviation, describe the chosen alternative and provide the reasons for the deviation.

Examples of internal control documents:

- Articles of association
- The board's work plan including instructions for the CEO and auditing committee
- The H&M Way
- Code of Ethics
- Code of Conduct: Sustainability Commitment (formerly Code of Conduct)
- Insider Policy
- Financial Policy
- Communications Policy
- Human Rights Policy
- Tax Policy
- Whistleblowing Policy
- Other policies, guidelines and manuals

H&M's corporate governance is managed by values, since it is based both on external regulations as well as on our values – which, in brief, can be described as a sound, simple, straightforward, cost-conscious, entrepreneurial corporate culture that focuses on teamwork, our belief in people and constant improvement. Sustainability work is well integrated into every part of the business and forms a natural part of our employees' everyday life.

Today, H&M is present in more than 70 retail markets and around 20 production markets. As a global company, it is of the utmost importance that we always act ethically, transparently and responsibly at every stage – from doing business with our suppliers to meeting with customers. Through good purchasing routines and close cooperation with our suppliers, our products should always be produced with the greatest possible consideration for people and the environment. Our risk management and internal control work ensure that we work purposefully in every part of the organisation. The board of directors and auditing committee receive regular feedback from the organisation concerning how the internal control work is being conducted. Every year a thorough review is carried out of the company's risks, both operational and financial, with well-defined action plans to minimise risk. The risk analysis also shows which risks are more long-term in nature, providing supporting documentation for long-term commercial decisions.

Responsibility for management and control is shared between the shareholders, board, auditing committee and CEO. The board's work plan states how the work is to be distributed between the board, the auditing committee and the CEO, with the board having the ultimate responsibility for the company's organisation and administration and the CEO taking care of ongoing management of the business, with regular feedback to the board.

The board of directors has eight members elected by the annual general meeting (AGM), two employee representatives and two deputies for these. Overall, the board has 12 members – eight women and four men.

The composition of the board exhibits breadth and diversity, with the board members' different areas of expertise complementing each other well. Their experience in areas such as retailing, entrepreneurship, fashion, digitalisation, AI, advanced analytics and automation, sustainability and communication forms a good basis for valuable discussions with the CEO and management.

During the year the board held six board meetings, including a statutory meeting in conjunction with the AGM. As in previous years, there was a very high level of attendance by board members. The CEO, CFO and chief accountant also attend all the meetings. Generally, one or two functions/departments are invited to each meeting to give a status presentation concerning what their particular function is working on; for example, every six months the head of sustainability provides an update on the company's sustainability work, making reference to key indicators and targets. These presentations act as a complement to the CEO's status reports and provide opportunity for more in-depth discussions concerning specific areas of the operations. At each board meeting the chair of the auditing committee also gives an account of the matters addressed by the auditing committee at its most recent meeting within areas such as accounting, auditing, tax, internal control and risk, as well as various new regulations and legislation.

The company has chosen to have the corporate governance report as a separate document to the annual report, in accordance with chapter 6 section 8 of the Swedish Annual Accounts Act. The information that must be provided under chapter 6 section 6 items 3–6 of the Annual Accounts Act is included in the administration report on page 42 of H&M's annual report for 2019 and is therefore not included in this corporate governance report. In accordance with chapter 6 section 9 of the Annual Accounts Act, the company's auditors have issued a statement on the corporate governance report that can be found on page 36.

In 2019 the company deviated from the Code on the following point:

- 2.4 The fact that Stefan Persson, the chairman of the board, also chairs the nomination committee. The nomination committee is unanimous that, as the chairman of the board and the largest shareholder in H&M, Stefan Persson is the natural choice to chair the company's nomination committee.

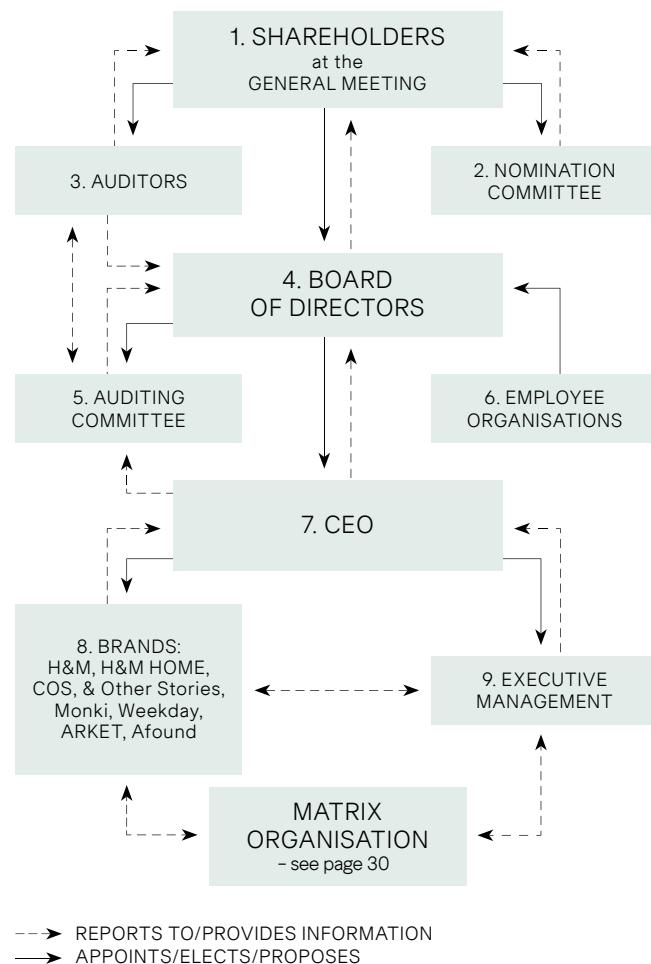
Read more about H&M's corporate governance at hmgroup.com/corporategovernance.

Among other things, you will find here:

- Previous corporate governance reports
- Articles of association
- Information on the nomination committee, board of directors, CEO, auditors, auditing committee, guidelines and policies, executive management team etc.
- Information and material from previous AGMs
- Risks and uncertainties

H&M's corporate governance structure

H&M's corporate governance structure encompasses shareholders, the board of directors, the auditing committee, the CEO, the nomination committee, auditors, the executive management team, business units organised by brand, employees and employee organisations (see the illustration below). The illustration summarises the company's corporate governance structure. H&M's shareholders ultimately decide the company's direction, since the shareholders at the general meeting appoint the board of directors and the chairman of the board. Proposals for the composition of the board, board fees and the election of auditors are prepared in advance within the nomination committee. The board in turn appoints a CEO to take care of day-to-day administration. The CEO appoints members of the executive management team within H&M's matrix organisation. The board includes two employee representatives and two deputies for these, who are appointed by their respective employee organisations. The board appoints an auditing committee from among its members, which deals with accounting and auditing matters on an ongoing basis and which is the main channel of communication between the board and the auditors. Each year the auditors report to the board and the annual general meeting on their scrutiny.



--> REPORTS TO/PROVIDES INFORMATION
—> APPOINTS/ELECTS/PROPOSES

1. SHAREHOLDERS AND ANNUAL GENERAL MEETING

It is H&M's shareholders who have the final decision on the company's governance by voting at the general meeting to adopt the articles of association, which decide what the business will focus on, and to appoint the board of directors and its chairman, whose task it is to administer the company's affairs on behalf of the shareholders. The shareholders at the general meeting also elect auditors, decide on the principles for the nomination committee and select the members of this committee.

The general meeting is thus the company's highest decision-making body and is the forum in which shareholders exercise their right to decide on the company's affairs. H&M's ordinary general meeting (annual general meeting) is held once a year, in late April or early May.

The date and venue are announced in conjunction with H&M's nine-month report as well as at hmgroup.com. The notice of the meeting is published in full usually five weeks before the meeting as a press release and in Post och Inrikes Tidningar and at hmgroup.com. Publication of the notice is announced by an advertisement placed in Dagens Nyheter and Svenska Dagbladet. Shareholders registered directly in the register of shareholders who have given notice of their attendance on time are entitled to participate in the meeting and vote for the total number of shares that they hold. Shareholders who cannot be present in person may be represented by proxy.

Shareholders wishing to have a particular matter considered by the meeting may submit a written request to the board at least seven weeks before the meeting. H&M's email address is also given for those shareholders who wish to submit their questions to H&M in advance. All the material belonging to the meeting, including the minutes of the meeting, is available on the website in both Swedish and English. Extraordinary general meetings can also be held when there is a particular need to do so.

Shareholders' decision-making powers

Among other things, the general meeting makes decisions concerning:

- The election of board members and the chairman of the board
- Board fees including the compensation paid to members for work on the auditing committee
- Discharge of the members of the board and the CEO from liability
- Amendments to the articles of association
- The election of the auditor
- The adoption of the income statement and balance sheet
- The distribution of the earnings for the past financial year
- The election of members of the nomination committee and establishment of principles for the nomination committee
- Guidelines for remuneration to senior executives

Articles of association

According to the H&M articles of association, H&M's board of directors is to consist of at least three and no more than twelve members elected by the AGM and no more than the same number of deputies. The annual general meeting decides the exact number of board members, and which individuals are to be elected to the board. Board members are elected for the period until the close of the next annual general meeting. The annual general meeting also decides on amendments to the articles of association.

Annual general meeting 2019

H&M's annual general meeting 2019 was held on 7 May in the Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna. A total of 1,288 shareholders were represented at the meeting, representing 84.6 percent of the votes and 68.4 percent of the capital. H&M's board of directors, executive management and nomination committee as well as the company's auditors attended the meeting.

The main resolutions passed were the following:

- The lawyer Sven Unger was elected as chairman of the meeting.
- Balance sheets and income statements for the parent company and for the group were adopted.
- A dividend to shareholders of SEK 9.75 per share was approved. It was resolved that the dividend would be paid in two instalments during the year: SEK 4.90 per share with a record date of 9 May 2019, to be paid out on 14 May 2019, and SEK 4.85 per share with a record date of 12 November 2019, to be paid out on 15 November 2019.
- The board members and the CEO were discharged from liability for the 2017/2018 financial year.
- The number of board members elected by the meeting to serve until the close of the next AGM was set at eight, with no deputies.
- The following ordinary board members were re-elected: Stina Bergfors, Anders Dahlvig, Lena Patriksson Keller, Stefan Persson, Christian Sievert, Erica Wiking Häger and Niklas Zennström. Danica Kragic Jensonfelt was elected as a new member. Stefan Persson was re-elected as chairman of the board.
- The AGM approved the proposal from the nomination committee that board fees be paid as follows: chairman of the board SEK 1,700,000; board members elected by the AGM SEK 650,000; members of the auditing committee an extra SEK 175,000; and the chairman of the auditing committee an extra SEK 225,000.
- The AGM resolved to appoint Ernst & Young AB as auditors until the close of the 2020 AGM. Auditors' fees to be paid based on approved invoices.
- The proposed principles for the nomination committee were approved and members of the nomination committee were elected.
- The proposed guidelines for remuneration to senior executives were approved.

Votes and capital represented at H&M's annual general meeting:

YEAR	% OF VOTES	% OF CAPITAL
2015	82.4	63.7
2016	83.3	65.5
2017	83.7	66.6
2018	82.3	63.6
2019	84.6	68.4

Number of shareholders and ownership structure

At the end of the financial year H&M had 235,545 shareholders. The total number of shares in H&M is 1,655,072,000, of which 194,400,000 are class A shares (ten votes per share) and 1,460,672,000 are class B shares (one vote per share).

H&M's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 57.1 percent of the votes, as well as 561,749,929 class B shares, representing 16.5 percent of the votes. In addition, the family privately own 36,400,289 class B shares. This means that as of 30 November 2019, Stefan Persson and family privately and via Ramsbury Invest AB represent 74.7 percent of the votes and 47.9 percent of the total number of shares. Ramsbury Invest AB is thus formally the parent company of H & M Hennes & Mauritz AB. Ramsbury Invest AB is owned by Stefan Persson and family, and primarily by Stefan Persson. Karl-Johan Persson is also a shareholder in Ramsbury Invest AB.

Annual general meeting 2020

H&M's annual general meeting 2020 will be held on Thursday, 7 May 2020 in the Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna.

To register to attend the 2020 AGM, see page 86 of H&M's annual report for 2019 or visit hmgroup.com/agm.

2. NOMINATION COMMITTEE

The nomination committee prepares information that will be used as a basis for decisions at the general meeting concerning the election of the board of directors, chairman of the board, auditors and chairman of the annual general meeting, the fees to the board and auditors, as well as principles for the nomination committee. The nomination committee's proposal for the composition of the board exhibits diversity and breadth as regards expertise, experience, background and gender balance. It also takes into consideration H&M's stage of development and future focus.

Before each general meeting the nomination committee's report is available to read as a separate document at hmgroup.com/corporategovernance. The composition of the nomination committee is based on the principles for the nomination committee adopted at the 2019 annual general meeting. The nomination committee below is based on the principle that the nomination committee is to consist of the chairman of the board plus four others nominated by the four largest shareholders in terms of voting rights, as recorded in the register of shareholders, other than the shareholder that the chairman of the board may represent. As of 30 November 2019, the nomination committee consisted of:

- Stefan Persson, chairman of the board
- Lottie Tham
- Jan Andersson, Swedbank Robur Fonder
- Erik Durhan, Nordea fonder
- Anders Oscarsson, AMF and AMF fonder
- Thomas Wuolikainen, Fjärde AP-fonden (Fourth Swedish National Pension Fund)

The nomination committee meets the requirements of the Code regarding the independence of members. Stefan Persson is the nomination committee's chairman. This deviates from section 2.4 of the Swedish Corporate Governance Code. The 2019 AGM resolved that unless the members of the nomination committee agree otherwise, the chairman of the nomination committee shall be the member representing the largest shareholder. The nomination committee has found no reason to decide otherwise. The nomination committee was unanimous that in view of H&M's ownership structure, Stefan Persson in his capacity as chairman of the board and principal shareholder is the natural choice to chair H&M's nomination committee.

Work of the nomination committee in preparation for the 2019 AGM including description of diversity policy for the board of directors

The nomination committee's proposal to the 2019 AGM for the composition of the board was to re-elect Stina Bergfors, Anders Dahlvig, Lena Patriksson Keller, Stefan Persson, Christian Sievert, Erica Wiking Häger and Niklas Zennström, and to elect Danica Kragic Jensfelt as a new member.

The starting point for the nomination committee's work ahead of the 2019 AGM was to supplement the board of directors with a further member. The nomination committee had also noted that this was a wish expressed by Aktiespararna (the Swedish Shareholders' Association) at the 2017 AGM. As a basis for its work analysing the composition of the board and identifying profiles for supplementary board candidates, the nomination committee studied the report by the chairman of the board on the work of the board of directors and also conducted interviews in autumn 2018 with all other board members elected by the annual general meeting. This provided a foundation for the nomination committee's proposals to the 2019 annual general meeting.

The nomination committee arrived at a proposal to the annual general meeting that all the current board members be re-elected and that Danica Kragic Jensfelt be elected as a new member of the board. Danica, who is a Professor of Computer Science at KTH Royal Institute

of Technology in Stockholm conducting research in the fields of computer vision and robotics, has unique expertise within computer science and AI and how this can be used in robotisation, logistics and recycling as well as within fashion and the shopping experience. In view of the great transition that is taking place in fashion retail as a result of increasing digitalisation, Danica's knowledge will be very valuable to H&M in the time ahead.

The nomination committee judged that the proposed composition of the board accorded well with section 4.1 of the Swedish Corporate Governance Code, which the nomination committee has applied as its diversity policy. The policy aims to ensure that the proposed board exhibits diversity and breadth of qualifications, experience and background, as well as gender balance. The nomination committee aims for gender balance and H&M's board has had a good gender balance for many years. The board members proposed, and subsequently elected, consisted of four women and four men. The board thus achieves the ambition communicated by the Swedish Corporate Governance Board, which wants owners to speed up developments towards a share of around 40 percent for the less well represented gender on the boards of major listed companies by 2020.

To achieve continued gender balance, H&M's nomination committee discusses this each year and identifies future board candidates with relevant backgrounds and experience on a continuous basis. It was felt that the proposed composition of the board more than satisfies the requirements made of expertise and experience, taking into account the company's operations and future development. The proposed composition was also considered to meet the applicable requirements well as regards the independence of board members, their stock market experience and their expertise in accounting and auditing.

Work of the nomination committee in preparation for the 2020 AGM

Between the 2019 AGM and the end of the financial year the nomination committee held one meeting at which minutes were taken and has also been in contact at other times. In autumn 2019 the nomination committee began its work, starting with information from the chairman of the board concerning how well the work of the board had functioned during the year. The board functioned well over the course of the year and the information from the chairman of the board, along with interviews conducted with the AGM-elected board members, provides a basis for the nomination committee's work on its proposal to the 2020 annual general meeting regarding the composition of the board.

The nomination committee thus discusses the size of the board, its composition in terms of expertise and experience, among other things, the election of the chairman of the board and a chairman for the AGM, fees for board members, principles for the nomination committee and the election of auditors. No fees were paid to the nomination committee's chairman or to any other member of the nomination committee. The nomination committee's work in preparation for the next AGM is not yet complete and more information will be presented before and at the 2020 AGM.

3. AUDITORS

The auditors, who are independent and appointed by the shareholders at the AGM, scrutinise H&M's annual report, consolidated financial statements, accounts, sustainability report and corporate governance report, and examine whether these have been prepared in accordance with current laws and recommendations. The auditors also scrutinise the management of H&M by the board and CEO, and review compliance with the guidelines on remuneration to senior executives adopted by the AGM.

At the 2019 AGM the accounting firm Ernst & Young AB was elected as auditor of H&M for a one-year period of office, i.e. until the close of the 2020 AGM. Authorised public accountant Åsa Lundvall from Ernst & Young holds the main responsibility for the audit.

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2019

NAME	YEAR ELECTED	INDEPENDENT ¹⁾	INDEPENDENT ²⁾	FEES (SEK) ³⁾	BOARD MEETINGS ⁴⁾	AUDITING COMMITTEE	SHARE-HOLDING	SHARES HELD BY RELATED PARTIES
Stefan Persson, chairman	1979	No	No	1,700,000	6/6			194,400,000 ⁵⁾ 561,749,929 ⁶⁾
Stina Bergfors	2016	Yes	Yes	615,000	6/6		9,000	6,000 ⁷⁾
Anders Dahlvig	2010	Yes	Yes	765,000	6/6	4/4	17,510	
Danica Kragic Jensfelt	2019	Yes	Yes		4/4		2,500	120
Lena Patriksson Keller	2014	Yes	Yes	615,000	6/6			1,200 and 9,450 ⁸⁾
Christian Sievert	2010	Yes	No ⁹⁾	815,000	6/6	4/4	81,000	19,000 and 2,400 ¹⁰⁾
Erica Wiking Häger	2016	Yes	Yes	765,000	6/6	4/4		750 ¹¹⁾
Niklas Zennström	2014	Yes	Yes	615,000	6/6		72,700	
Ingrid Godin employee rep.	2012				6/6			60
Alexandra Rosenqvist employee rep.	2015				6/6			
Helena Isberg deputy employee rep.	2019				4/4			
Margareta Welinder deputy employee rep.	2007				5/6			

1) Independent of the company and company management in accordance with the Swedish Corporate Governance Code.

2) Independent of major shareholders in the company in accordance with the Swedish Corporate Governance Code.

3) Fees as resolved at the 2018 annual general meeting. This means that the fees related to the period until the next AGM, i.e. for the period 8 May 2018 to 7 May 2019. The amounts were paid out after the 2019 AGM.

4) Attendance via technology is equated with attendance in person.

5) Class A shares owned through Ramsbury Invest AB.

6) Class B shares owned through Ramsbury Invest AB.

7) Shares held by spouse.

8) 1,200 shares owned through Lena Patriksson Keller's private company Verdani Holding AB. 9,450 shares held by spouse and children.

9) Christian Sievert is not considered independent of Ramsbury Invest AB since Ramsbury Invest AB is a major shareholder in a company of which Christian Sievert is CEO.

10) Shares held by related parties: 19,000 shares held through Christian Sievert's company Whitechris Industri AB and 2,400 shares held by spouse and children. Supplementary disclosure: in addition to Christian Sievert's shareholding shown above, Christian Sievert holds 9,000 H&M shares via a pension plan.

11) 750 shares owned through Erica Wiking Häger's company Erica Wiking Häger Advokataktiebolag.

All shareholdings reflect the situation as at 30 November 2019.

There are no outstanding share- or share price-related incentive programmes for the board of directors.

As previously, the 2019 AGM resolved that the auditors' fees should be paid based on invoices submitted and approved. The fees invoiced by the auditors over the past two financial years are reported in note 10 of the annual report for 2019.

Ernst & Young AB (EY) is a member of a global network used for auditing assignments for most of the group's companies and meets H&M's requirements with respect to competence and geographical coverage. The auditors' independent status is guaranteed partly by legislation and professional ethics rules, partly by the accounting firm's internal guidelines and partly by the fact that non-auditing assignments must be approved in advance by the auditing committee. Åsa Lundvall conducts auditing assignments for companies such as ATG and Systemair.

The auditors attend all meetings of the auditing committee and, as in previous years, Åsa Lundvall also took part in the board meeting held in January 2019 in order to notify the board of the scope, focus, significant considerations and conclusions of the audit of the 2017/2018 financial year. In addition to this involvement, the auditor meets regularly with the chairman of the board, the chairman and other members of the auditing committee, the executive management and other key individuals. The auditor also takes part in the AGM, reporting the conclusions drawn from the audit.

Alongside its mandate as elected auditor, EY has also carried out related tasks such as verification of the sustainability report. In addition, EY has assisted with other consulting services, primarily tax advice. EY has internal processes to ensure its independence before these tasks

are begun. The auditing committee also has a process for approving non-auditing services in advance, before such assignments are begun. The auditing committee evaluates the auditor annually to gain assurance that the auditor's objectivity and independence cannot be questioned.

4. BOARD OF DIRECTORS

The task of the board of directors is to manage H&M's affairs in the interests of the company and all its shareholders. This means that the board has overall responsibility for H&M's administration, taking a long-term sustainable approach with a focus on the customer offering and growth.

In addition to laws and recommendations, H&M's board work is regulated by the board's work plan which contains rules on the distribution of work between the board, its committees and the CEO as well as on financial reporting, investments and financing. The work plan, which also includes a work plan for the auditing committee, is updated as needed but is established at least once a year.

Composition of H&M's board and independence of its members

The board members are elected by the shareholders at the annual general meeting for the period up until the next AGM.

Since the 2019 AGM the board has consisted of eight ordinary members elected by the AGM, with no deputies, as well as two employee representatives and two deputies for these positions. The board is made up of eight women and four men. Only the employee representatives and

their deputies are employed by the company. Since the 2019 AGM the board has comprised the following members elected by the general meeting: Stefan Persson (chairman), Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Christian Sievert, Erica Wiking Häger and Niklas Zennström. Ingrid Godin and Alexandra Rosenqvist are the regular employee representatives, with Helena Isberg and Margareta Welinder as their deputies. For more facts about H&M's board members, see pages 34–35.

The members are required to devote the time and attention that their position on the board of H&M demands. New board members receive introductory training that includes meetings with the heads of various functions.

The composition of H&M's board during the year met the independence requirements set out in sections 4.4 and 4.5 of the Code. This means that the majority of the board members elected by the general meeting are independent of the company and company management. The majority of the board members are also independent of the company's major shareholders.

Number of board meetings

During the financial year H&M normally holds six regular board meetings, one of which is the statutory board meeting. Extraordinary board meetings are held when the need arises. The CEO attends all board meetings, except on the occasion of the board meeting when the CEO's terms of employment are being discussed. The CEO reports to the board on the operational work within the group and ensures that the board is given relevant and objective information on which to base its decisions.

The CFO and chief accountant also attend the board meetings in order to provide financial information. The board is assisted by a secretary who is not a member of the board.

During the 2018/2019 financial year six board meetings were held. The level of attendance at board meetings is high, with each member's attendance shown in the table on page 26.

Work of the board in 2019

H&M's board meetings are generally structured as shown below. This is supplemented by one or more business presentations, e.g. by heads of functions or country managers.

The following areas are usually reviewed at each board meeting:

- Minutes of the previous meeting
- CEO's status report
- Report by CFO
- Strategic matters
- Feedback from latest auditing committee meeting
- Financial reporting, such as interim report and annual report
- Any other business

In 2019 CEO Karl-Johan Persson provided information on – among other things – the strategic plan and goals in response to the great transition that is taking place in the industry as well as the climate change that is affecting us all. Matters such as the customer offering and the status of each brand, digital development, sustainability, optimising the store portfolio along with future store development and the integration of stores and online, continued development of the online store, the supply chain, communications, marketing, organisation, external factors, new initiatives and business models as well as other development opportunities are examples of subject areas discussed on an ongoing basis at the board meetings held during the year, in addition to sales, costs, investments, earnings and the inventory situation. Examples of functions that presented their work during the year include HR as well as Inclusion and Diversity, Business Development, Sustainability, various parts of the H&M brand, New Business, Expansion, Logistics, Group Operations, IT,

Advanced Data Analytics and AI, and Communications. One of the year's board meetings was held in London, where the country manager and her team gave a detailed presentation of H&M's operations in the UK and Ireland. The board also visited the newly built logistics centre in Milton Keynes outside London.

During the year H&M and H&M HOME opened online in Mexico, and H&M opened via franchise in Indonesia, Thailand and Egypt. This means H&M's online store is available in 51 markets and in addition, H&M was also launched on India's leading ecommerce platform Myntra. COS, Monki, Weekday, & Other Stories and ARKET opened online in Norway, & Other Stories also opened on Tmall in China and Afound opened online in the Netherlands. During the year 281 new stores were opened, with Bosnia-Herzegovina, Belarus and (via franchise) Tunisia becoming new H&M store markets, while 173 stores were closed. This makes a net addition of 108 new stores. As a result, there are now H&M stores in 74 markets.

The industry is undergoing significant structural changes and rapid shifts in technology as a result of the increased digitalisation of society. This creates great opportunities, but also puts demands on the organisation. The board therefore discusses the significance of this shift, with more and more shopping taking place online, and the transformation that H&M is undergoing in order to respond to these changed circumstances. Among other things, it discusses future growth plans, how the organisation should adapt to the new situation and which investments need to be made in order to be able to offer customers a shopping experience that is as complete and seamless as possible. The board receives ongoing updates on these projects, which might involve developing the customer offering to enable a faster and more flexible product flow with quicker and more varied delivery options, the handling of returns, changes of platform, AI and advanced analytics, mobile payment solutions etc. The long-term investments being made aim to ensure the group's future expansion and position.

H&M's integrated sustainability work is very important and is discussed regularly by the board. Every six months, the head of sustainability provides an update on the group's sustainability work with reference to key indicators and targets, such as compliance with the Code of Conduct, sustainable materials, climate impact, anti-corruption, etc.

At each board meeting the chairman of the auditing committee reports to the board on what the auditing committee discussed at its latest meeting. This primarily concerns areas such as accounting, auditing, tax, customs duties, internal control, risk, various new regulations, legislation and directives such as GDPR, Task Force on Climate-related Financial Disclosures (TCFD) etc. The overall risk assessment, including the very greatest risks in both the short and the long term, is then also discussed at subsequent board meetings. During the year the board also took part in and discussed the results of the climate risk analysis conducted according to the guidelines issued by the TCFD. At four of the year's meetings the board goes through quarterly reports before they are published and at the January meeting the board discusses the annual report, with the auditor also reporting on the year's audit.

During the year the board takes various decisions, for example regarding the expansion and investment plan, the dividend proposed to the 2020 AGM – which was SEK 9.75 per share, the payment of the dividend in two instalments during the year, guidelines for remuneration of senior executives, the financial reports etc.

At the board meeting held in January 2019 the board of directors decided that H&M's growth target to increase sales in local currencies by 10–15 percent per year with continued high profitability remains a long-term target.

Since H&M does not have a separate review function (internal audit) for work on internal control, but has instead established its own model for managing the company's risk and internal control (see pages 29–31), once a year the board assesses the need for a separate internal audit function. This year the board again reached the conclusion that the pre-

sent model for monitoring internal control is working in a satisfactory way.

Before the 2019 annual general meeting the board assessed how well the guidelines for remuneration to senior executives that were adopted by the 2018 AGM were being applied. The results of this assessment were published on the website in good time before the 2019 AGM.

H&M has no remuneration committee, since the board of directors deems it more appropriate for the entire board to carry out the tasks of a remuneration committee. It is the board that prepares the proposed guidelines for remuneration to senior executives that are presented at the AGMs, and it is the board that decides on the CEO's salary in accordance with the guidelines adopted at the last AGM. The board continually assesses the CEO's work and once a year discusses this matter separately in conjunction with setting the CEO's remuneration for the coming year. No member of executive management is present when this is discussed.

The board continually evaluates its work. This evaluation covers working methods and the working climate, as well as the main focus of the board's work. It also focuses on access to and the need for specialist expertise within the board. The evaluation is used as tool for developing the board's work and also forms a basis for the work of the nomination committee.

5. AUDITING COMMITTEE

The auditing committee monitors the company's financial reporting, which among other things involves monitoring the effectiveness of the company's internal control and risk management. Its work includes handling auditing issues and financial reports published by the company. The auditors attend the meetings of the auditing committee to report on their scrutiny of the group's annual report and financial statements, including the consolidated financial statements.

The auditing committee also reviews and monitors the impartiality and independence of the auditor, and regulates which assignments the accounting firm may conduct for H&M in addition to the audit. The auditing committee annually receives a written assurance of independence from the auditor stating which services the accounting firm has provided to H&M during the financial year in addition to the audit. The auditing committee also assists the nomination committee with any proposals to the AGM concerning the election of auditors.

The auditing committee is made up of three board members, two of whom have expertise in accounting or auditing while the third has expertise in commercial law. All the members are independent of the company and its management. The majority of the members are also independent of the company's major shareholders. The auditing committee is appointed annually by the board of directors at the statutory board meeting held in conjunction with the AGM. Since the statutory meeting held in conjunction with the 2019 AGM, the auditing committee has consisted of chairman Christian Sievert and members Anders Dahlvig and Erica Wiking Häger. The committee held four meetings at which minutes were taken during the 2018/2019 financial year.

EY attended the auditing committee meetings and reported on the auditing assignments. The meetings were also attended by CFO Jyrki Tervonen and chief accountant Anders Jonasson, among others. The committee's meetings are minuted and the minutes are then distributed to the board members.

During the year the auditing committee addressed the following matters, among others:

- The company's financial reporting, including interim reports, the corporate governance report and annual report.
- Compliance with the group's internal control and risk management processes and review of the overall risk analysis for the group – both financial risk and operational risk – with well-defined action plans to minimise risk. Among other things, the results of the risk analysis conducted according to the guidelines issued by the TCFD were discussed.

- In addition, the following functions/departments provided information on their work: Expansion/Construction, Security, Accounting/Tax, Logistics, IT, Sustainability and data privacy.
- The transfer pricing model and tax matters. A status update regarding tax matters is given at each meeting, which is partly related to the OECD's BEPS project that deals with, among other things, how and where profits in multinational companies are to be taxed.
- In addition, customs matters were discussed in view of the fact that this is becoming an increasingly pressing matter for multinationals due to increased protectionism in certain countries.
- The transition to new IFRS rules was reviewed, particularly the project to meet the requirements of IFRS 16 Leases, IFRS 15 Revenue Recognition and IFRS 9 Financial Instruments.
- Preparations were made for the selection of a new auditor.
- EY informed the committee of the audit plan, the scope of the audit and the results of scrutiny carried out.
- In addition, EY provided information on current regulatory developments in the areas of accounting and auditing.
- Review of the auditors' independence and impartiality. The auditing committee finds that it is clear which assignments EY takes on in addition to auditing and sees no reason to question the accounting firm's impartiality. A process has been established for non-auditing services to be approved in advance. H&M also uses consulting services from other accounting firms and tax advisors.

6. EMPLOYEE ORGANISATIONS

Under Swedish law, the employees have the right to appoint employee representatives with deputies to the company's board. These are appointed via employee organisations (trade unions). The trade unions appoint two board members and two deputies to the board of H&M.

7. CEO

The CEO is appointed by the board of directors and is responsible for the daily management of the company as directed by the board. This means that, among other things, the CEO must focus in particular on recruitment of senior executives, buying and logistics matters, the customer offering, pricing strategy, sales and profitability, sustainability matters, marketing, expansion, development of the store network and of online sales, and digital development. The CEO reports to the board on the H&M group's development and makes the necessary preparations for taking decisions on investments, expansion, etc. The role of CEO includes contact with the financial market, the media and the authorities.

Karl-Johan Persson, born in 1975, has been CEO since 1 July 2009.

Before taking over as CEO, Karl-Johan Persson held an operational role within H&M from 2005, including working as head of expansion, business development as well as brand and new business. Since 2000 Karl-Johan Persson has been a member of the boards of H&M's subsidiaries in Denmark, Germany, the US and the UK. From 2006 until 2009 he was also a member of the board of H & M Hennes & Mauritz AB.

From 2001 until 2004 Karl-Johan Persson was CEO of European Network. Karl-Johan Persson holds a BA in business administration from the European Business School in London. Karl-Johan Persson currently has external board assignments for, among others, the Swedish Chamber of Commerce in the UK, Ramsbury Invest AB and the GoodCause Foundation. Since 2013 Karl-Johan Persson has also been a member of the board of the H&M Foundation.

Karl-Johan Persson is a shareholder in Ramsbury Invest AB and also personally holds 12,136,289 class B shares in H&M.

8, 9. ORGANISATION AND MANAGEMENT

H&M has a multi-brand matrix organisation with well-defined brands: H&M, H&M HOME*, COS, & Other Stories, Monki, Weekday, ARKET and Afound. Each brand has its own organisation and managing director, and all the

CEO Karl-Johan Persson	
CFO Jyrki Tervonen	
GROUP FUNCTIONS	BRANDS
Business Development*** Daniel Claesson	H&M and H&M HOME Fredrik Olsson Madeleine Persson
Controlling Fredrik Nilsén	New Business Anna Attemark
HR Doris Klein	COS Marie Honda
Sustainability Anna Gedda	& Other Stories Karolina Gutke
Legal Fredrik Björkstedt	Monki Jennie Dahlin Hansson
Communications Kristina Stenvinkel	Weekday Daniel Herrmann
Accounting Anders Jonasson	ARKET Lea Rytz Goldman
Security Cenneth Cederholm	Afound Joanna Hummel
COO Helena Helmersson	
Advanced Analytics & AI** Arti Zeighami	
Expansion Sam Miller	
Insights & Analytics Marcus Moltubak	
IT*** Joel Ankarberg	
Logistics Fredrik Boije	
Production David Sävman	

As at 30 November 2019.

brands have their own local sales organisations. Centrally, there are also a number of group functions that support each brand in order to capitalise on the benefits within these shared areas, so that each brand and country works purposefully according to central policies and guidelines. The CEO is responsible for day-to-day management of H&M and appoints the members of the executive management team, which is made up of the CEO plus nine others – six of whom are women. The executive management team** is made up of the CEO, CFO, the two people with responsibility for the H&M brand*, the head of New Business (which includes COS, & Other Stories, Monki, Weekday, ARKET and Afound), the heads of the group functions for Business Development***, HR, Sustainability and Communications, and the COO, who has responsibility for the functions Advanced Analytics & AI***, Expansion, IT***, Logistics, Production and Insights & Analytics. Those responsible for the other group functions are appointed by the CFO. The matrix organisation provides a good combination of central and local perspectives on leadership and entrepreneurship.

The local sales organisations are responsible for daily retail operations in their country, giving them a collective responsibility for all the support functions in their country working according to instructions from the central group functions.

* H&M HOME is included in the H&M brand's organisation.

** As at 30 November 2019.

*** The Business Development, IT and Advanced Analytics & AI functions will gradually be replaced by a new function called Business Tech, which will be led by CPO Daniel Claesson and Acting CTO Joel Ankarberg.

Internal control

The board of directors is responsible for the company's internal control, the overall aim of which is to safeguard the company's assets and thereby its shareholders' investment. Internal control and risk management are part of the board's and the management's control and follow-up responsibilities, the purpose of which is to ensure that the business is managed in the most appropriate and effective manner possible, to ensure reliable financial reporting and to ensure compliance with applicable laws and

regulations. This description of H&M's internal control and risk management for financial reporting has been prepared in accordance with chapter 6 section 6 of the Swedish Annual Accounts Act and section 7.4 of the Swedish Corporate Governance Code.

H&M uses the COSO framework as a basis for internal control over financial reporting. The COSO framework, which is issued by the Committee of Sponsoring Organizations of the Treadway Commission, is made up of the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

CONTROL ENVIRONMENT

The control environment forms the basis of internal control, because it includes the culture that the board and management communicate and by which they work. The control environment is made up primarily of ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and guidelines, as well as routines.

Of particular importance is that management documents such as internal policies, guidelines and manuals exist in significant areas and that these provide the employees with solid guidance. Within H&M there exists above all the Code of Ethics; an ethical policy that permeates the entire company, since it describes the way in which the employees should act within the company and in business relations with suppliers. For a number of years the group has had a document called "The H&M Way", which briefly describes and brings together what the company stands for and provides a basis for how employees are to act in relation to each other and the outside world. It also refers to the group's main policies.

H&M's internal control structure is based on:

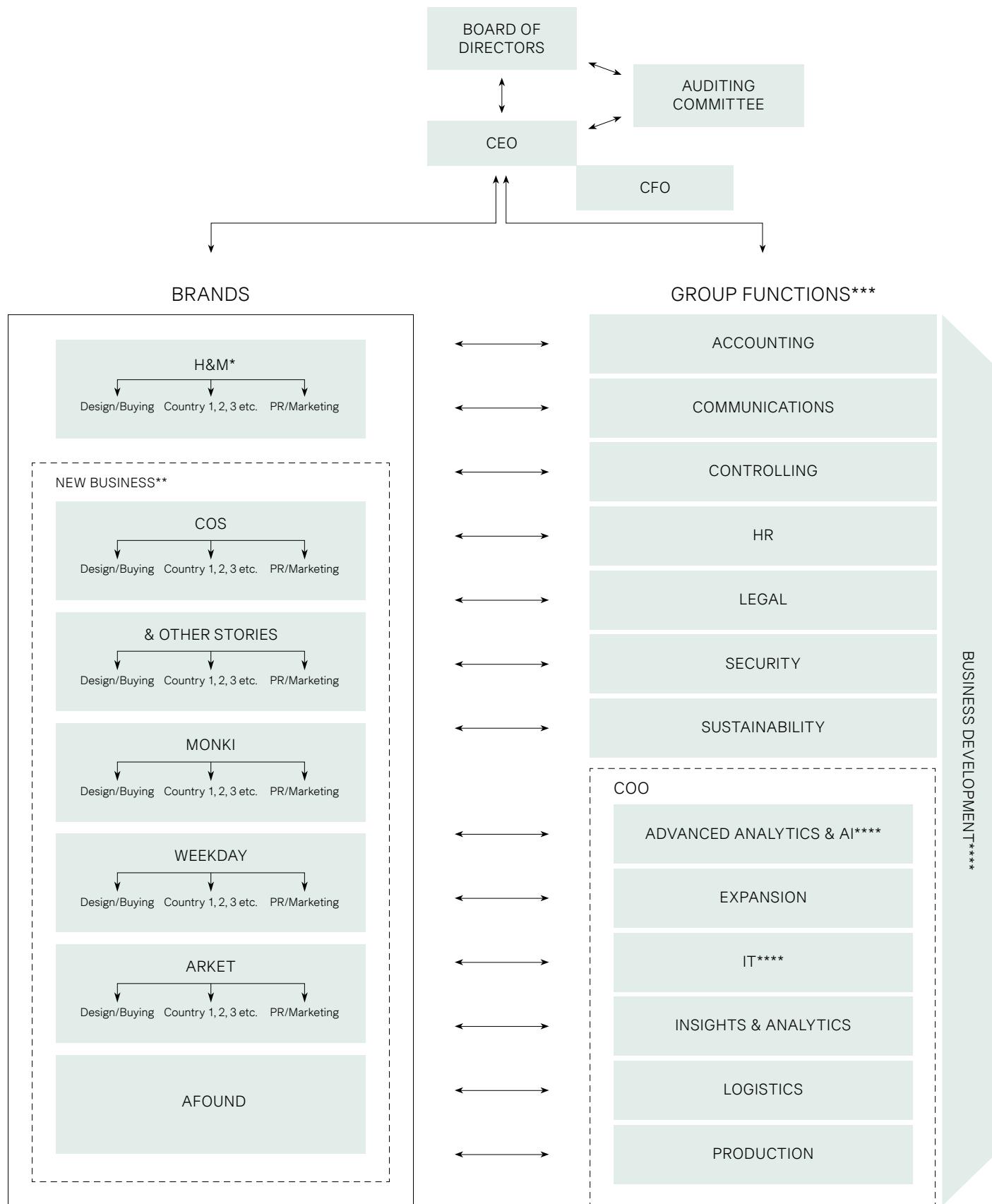
- The division of work between the board of directors, the auditing committee and the CEO, which is clearly described in the board's formal work plan. The executive management team and the auditing committee report regularly to the board based on established routines.
- The company's organisation and way of carrying on business, in which roles and the division of responsibility are clearly defined.
- Values and guidelines, as well as policies and manuals; of these, the Code of Ethics, the financial policy, the insider policy, the communications policy and the store instructions are examples of important overall policies.
- Awareness among the employees of the importance of maintaining effective control over financial reporting.
- Control activities, checks and balances, analysis and reporting.

H&M has a matrix organisation (see page 30), which means that those responsible for the joint group functions are responsible for the efficiency of work within their function at each brand (the horizontal arrows). Each brand has its own organisation and managing director, and all the brands have their own local sales organisations.

Internal control is evaluated annually by the relevant group function, which checks that its function in each country is working according to the prescribed policies and guidelines. The stores are in turn checked by internal store auditors.

All the companies within H&M have the same structure and accounting system with the same chart of accounts. This simplifies the creation of appropriate routines and control systems, which in turn facilitates internal control and comparisons between the various companies. There are detailed instructions for the store staff that control daily work in the stores. Many other guidelines and manuals are also available within the group. In most cases these are drawn up in the central departments at the head office in Stockholm and then communicated to the respective departments in the country offices. Each central department regularly reviews its guidelines and manuals to see which need updating and whether new guidelines need to be developed.

The H&M group's matrix organisation



* H&M HOME is included in the H&M brand's organisation.

** New Business has overall responsibility for producing, refining and supporting the H&M group's newer brands.

*** In alphabetical order.

**** The Business Development, IT and Advanced Analytics & AI functions will gradually be replaced by a new function called Business Tech, which will be led by a CPO and a CTO.

As at 30 November 2019.

RISK ASSESSMENT

H&M carries out regular risk analysis for both operational and financial risks. At the end of each financial year the analysis is updated in respect of the main operational risks – in the short and long term – and also the risks within financial reporting. This is carried out in two group-wide documents, based on the probability and impact of each risk. In 2019 a climate risk analysis was conducted according to the guidelines issued by the TCFD.

As in previous years, at the end of 2019 each central function reviewed its main risks, assessed these and identified the systems, methods and controls that are in place to minimise any impact of the risks. This information was compiled at group level, after which the functions together prepared the general risk analysis mentioned above with a view to getting an overall picture of the group's main risks – and thereby shedding light on the mitigation plans that are in place to manage these risks. The risk analyses for operational risks and for the risks within financial reporting were then dealt with in the auditing committee and thereafter discussed by the board.

For a description of H&M's operational risks, see the administration report on page 41. For risks within financial reporting, see the administration report on pages 41–42 and note 2, Financial risks, on pages 64–65 of the annual report for 2019.

To limit the risks there are appropriate policies and guidelines as well as processes and controls within the business.

CONTROL ACTIVITIES

There are a number of control activities built into every process to ensure that the business is run effectively and that financial reporting provides a true picture at each reporting date. The control activities, which aim to prevent, find and correct inaccuracies and non-compliance, are at all levels and in all parts of the organisation. Within H&M the control activities include effective control and analysis of sales statistics, account reconciliation, monthly accounts and financial reports.

During the year ongoing internal control of the IT department is also carried out, to ensure that the work and processes are being performed in accordance with guidelines set. This also includes systems relating to financial reporting. These financial systems are also reviewed by an external party in cooperation with those responsible for systems and system areas within H&M.

INFORMATION AND COMMUNICATION

Policies and guidelines are of particular importance for accurate accounting, reporting and provision of information, and also define the control activities to be carried out.

H&M's policies and guidelines are updated on an ongoing basis. This takes place primarily within each central function and is communicated to the sales countries by email and via the intranet, as well as at meetings.

H&M has a communications policy providing guidelines for communication with external parties. The purpose of the policy is to ensure that all disclosure obligations are met and that the information provided is accurate and complete.

Financial communication is provided via:

- Annual report
- Interim reports, the full-year report and quarterly sales reports
- Press releases on events and circumstances that may impact the share price
- H&M's website hmgroup.com

MONITORING

In 2019 the group functions/central departments assessed internal control within their respective functions in the sales countries based partly on general issues and partly on department-specific issues, using the COSO model.

The work resulted in a plan of action for each central department working on internal control, defining the areas that ought to be improved in order to further strengthen internal control – not only in respect of each country, but also for the central function. The functions also followed up on the assessments made in the previous year. The way in which H&M assesses internal control is considered to be firmly established within the organisation. It is an aid and an instrument that the central functions can use to ensure that their respective departments in the sales countries are working in a uniform and desirable way. The assessment of internal control also allows each sales country to provide valuable and constructive feedback to the central function regarding where there is room for improvement at central level. An important part of the internal control work is the feedback to the country management (country manager and country controller) which the central function provides based on the results of the evaluation in each country. This is done with a view to transparency and to ensuring that the countries adopt best practice.

Within the production organisation there is a firm and regular control and monitoring process for the internal routines that are brought together in the Routine Handbook for Production. These routines are about how H&M ensures that the company does business in an ethical and transparent way. Most of these routines are monitored on a monthly basis at regional level and every other month at global level.

Internal store auditors perform annual checks at the stores aimed at determining the strengths and weaknesses of the stores and how any shortcomings can be corrected. Follow-up and feedback with respect to any non-compliances found during the assessment of internal control constitute a central part of internal control work.

The board of directors and the auditing committee continuously evaluate the information provided by the executive management team, including information on internal control. The auditing committee's task of monitoring the efficiency of internal control by the management team is of particular interest to the board. This work includes checking that steps are taken with respect to any shortcomings detected and suggestions made during the assessment by the central departments and internal store auditors, as well as by external auditors. The work on internal control maintains awareness of the importance of effective internal control within the group and ensures that continuous improvement is made.

INTERNAL AUDIT

In accordance with section 7.4 of the Swedish Corporate Governance Code, during the year the board assessed the need for a specific internal audit department. The board concluded that H&M's present model of monitoring internal control is the most appropriate for the company. In the board's opinion, this model – which the central departments such as accounting, construction, shop fitting, IT, communications, security, logistics, production etc. apply in the subsidiaries – and the work carried out by internal store auditors are well in line with the work performed in other companies by an internal audit department. It was therefore deemed that there was no need for an internal audit department.

The issue of a specific internal audit department will be reviewed again in 2020.

Stockholm, February 2020

The Board of Directors

More information on H&M's corporate governance work can be found in the section on corporate governance at hmgroup.com. The next four pages contain information about the board members.



ALEXANDRA ROSENQVIST
Employee representative

STEFAN PERSSON
Chairman of the board

INGRID GODIN
Employee representative

DANICA KRAGIC JENSFELT
Board member

CHRISTIAN SIEVERT
Board member and chairman of
the auditing committee

MARGARETA WELINDER
Deputy employee representative



HELENA ISBERG
Deputy employee representative

ERICA WIKING HÄGER
Board member and member of
the auditing committee

ANDERS DAHLVIG
Board member and member of
the auditing committee

LENA PATRIKSSON KELLER
Board member

STINA BERGFORS
Board member

NIKLAS ZENNSTRÖM
Board member

About the board members

STEFAN PERSSON

Chairman of the board. Born 1947.

Primary occupation

Chairman of the board of H&M.

Other significant board assignments

Board assignments in family-owned companies.

Education

Stockholm University and Lund University, 1969–1973.

Professional experience

- 1976–1982 Country manager for H&M in the UK and responsible for H&M's expansion abroad.
1982–1998 CEO of H&M.
1998– Chairman of the board of H&M.

STINA BERGFORS

Board member. Born 1972.

Primary occupation

Founder of the digital media company United Screens, where Stina works on strategic matters and business development.

Other significant board assignments

Member of the board of INGKA Holding BV. Stina is also involved in the Prince Daniel Fellowship at the Royal Swedish Academy of Engineering Sciences (IVA).

Education

MSc in business administration and honorary doctorate from Luleå University of Technology.

Professional experience

- 1998–2000 TV3 MTG Sales.
2000–2004 Media strategist OMD Nordics.
2005–2008 CEO of Carat Sverige AB.
2008–2013 Country director for Google and YouTube in Sweden.
2014– Founder and CEO, and later business development, at United Screens.

INGRID GODIN

Employee representative, on the H&M board since 2012. Born 1959.
Employed since 2002.
Current position: Warehouse worker, Eskilstuna DC.

ALEXANDRA ROSENQVIST

Employee representative, on the H&M board since 2015. Born 1976.
Employed since 2012.
Current position: Product Owner (IT/Business Tech).

ANDERS DAHLVIG

Board member and member of the auditing committee. Born 1957.

Primary occupation

Board assignments.

Other significant board assignments

Chairman of Inter IKEA Holding BV and member of the boards of Oriflame SA and Resurs Bank AB.

Education

MSc in business administration, Lund University, 1980 and MA from the University of California, Santa Barbara, 1982.

Professional experience

- 1983–1993 Various roles within IKEA in Sweden, Germany, Switzerland and Belgium.
1993–1997 Managing director of IKEA UK.
1997–1999 Vice president of IKEA Europe.
1999–2009 President and CEO of IKEA.

DANICA KRAGIC JENSFELT

Board member. Born 1971.

Primary occupation

Professor of computer science at KTH Royal Institute of Technology conducting research in the fields of computer vision and robotics. The aim of the research is to use sensors to build future systems that interact with people and their environment in a natural way.

Other significant board assignments

Member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences (IVA) and board member at FAM, SAAB and the Institute for Future Studies.

Education

MSc in mechanical engineering from the Technical University of Rijeka, Croatia. Danica was awarded a PhD in robotics by KTH Royal Institute of Technology, Stockholm in 2001. Honorary doctorate from Lappeenranta University of Technology in Finland.

Professional experience

- 2008– Professor of computer science, conducting research in the fields of computer vision and robotics at KTH Royal Institute of Technology in Stockholm.

HELENA ISBERG

Deputy employee representative, on the H&M board since 2019. Born 1978.
Employed since 1998.
Current position: Sales advisor, H&M Karlskrona.

MARGARETA WELINDER

Deputy employee representative, on the H&M board since 2007. Born 1962.
Employed since 2000.
Current position: Omni Buyer, H&M.

LENA PATRIKSSON KELLER

Board member. Born 1969.

Primary occupation

Executive chairman at branding and communications agency Patriksson Communication AB.

Other significant board assignments

Member of the board of Elite Hotels, Wanås Art Foundation, Jaenerica AB and Maria Nilsdotter AB and chairman of the board of the industry organisation Association of Swedish Fashion Brands (ASFB). Lena is also involved in the Prince Daniel Fellowship at the Royal Swedish Academy of Engineering Sciences (IVA).

Education

Design and marketing at Parsons School of Design in New York and at the American University in London.

Professional experience

1993–1996 Buying & product development at H&M.
1996–1998 Global communications manager, J.Lindeberg.
1999– CEO and later executive chairman, Patriksson Communication AB.

CHRISTIAN SIEVERT

Board member and chairman of the auditing committee. Born 1969.

Primary occupation

CEO of investment company AB Max Sievert.

Other significant board assignments

Member of the board of AB Max Sievert and of the boards of portfolio companies of AB Max Sievert; also member of the board of AB Anders Löfberg.

Education

MSc in business administration from the School of Economics, Stockholm, 1994.

Professional experience

1994–1997 Consultant, Bain & Company, Stockholm and San Francisco, USA.
1997–2003 Investment manager and partner at Segulah.
2003–2013 CEO/managing partner at Segulah.
2013–2014 Partner, Segulah.
2014– CEO of investment company AB Max Sievert.

ERICA WIKING HÄGER

Board member and member of the auditing committee. Born 1970.

Primary occupation

Partner at the law firm Mannheimer Swartling since 2009 and chair of Mannheimer Swartling's Corporate Sustainability & Risk Management practice group; leads the team of lawyers advising on commercial law focusing on human rights, working conditions, the environment and anti-corruption. Erica is a member of the Swedish Bar Association, the New York State Bar Association and the International Association for Privacy Professionals (IAPP).

Other significant board assignments

Member of the board of Stockholm Chamber of Commerce.

Education

Master of Laws from Uppsala University, LL.M. from Harvard Law School in the US and supplementary studies at the University of Oklahoma in the US and Ruprecht-Karls-Universität Heidelberg in Germany.

Professional experience

1994–1995 Acting lecturer in civil law, Uppsala University.
1995–1997 District court service, Sollentuna District Court.
1997–1998 Law clerk, Svea Court of Appeal.
1999–2000 Corporate counsel, Corechange Inc., Boston, USA.
2000–2008 Associate, Mannheimer Swartling.
2009– Partner, Mannheimer Swartling.

NIKLAS ZENNSTRÖM

Board member. Born 1966.

Primary occupation

CEO of venture capital company Atomico, which focuses on fast-growing tech companies, and involved in Zennström Philanthropies, which supports organisations particularly associated with climate change, social entrepreneurship, the Baltic Sea environment and human rights.

Other significant board assignments

Member of the boards of Atomico, Zennström Philanthropies, Farmdrop, Rovio, Orbital Systems and Lilium.

Education

Dual degrees in business administration and engineering physics from Uppsala University.

Professional experience

1991–1994 Product manager, Tele2 AB, Stockholm.
1994–1996 Director of access network, Unisource Voice Services AB, Stockholm.
1996–1997 Director of internet services, Tele2 Danmark A/S, Copenhagen.
1997–2000 Director of internet services, Tele2 Europe ASA, Luxembourg/Amsterdam.
2000–2002 CEO and founder, Kazaa, Amsterdam.
2001–2003 CEO and founder, Joltid, Amsterdam.
2002–2007 CEO and founder, Skype, London.
2007– CEO and founder, Atomico, London.

**AUDITOR'S STATEMENT ON THE CORPORATE
GOVERNANCE REPORT**

To the Annual General Meeting of H & M Hennes & Mauritz AB (publ),
corporate identity number 556042-7220

Assignment and division of responsibility

We have reviewed the corporate governance report for the financial year 1 December 2018 to 30 November 2019. The corporate governance report is the responsibility of the board of directors, which is responsible for the report being prepared in accordance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the corporate governance report based on our review.

Orientation and scope of review

Our review was conducted in accordance with RevU 16, Auditor's review of the corporate governance report. This means that we planned and performed the audit in order to obtain a reasonable degree of assurance that the corporate governance report is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the information in the corporate governance report. We believe that our audit provides a reasonable basis for our opinion set out below.

Opinion

In our opinion, a corporate governance report has been prepared and its content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 18 February 2020

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant





Administration report

The board of directors and the chief executive officer of H & M Hennes & Mauritz AB (publ), 556042-7220, domiciled in Stockholm, Sweden, hereby submit their annual report and consolidated accounts for the financial year 1 December 2018 to 30 November 2019, hereinafter referred to as the 2019 financial year.

BUSINESS

The H&M group is a customer-focused, creative and responsible fashion and design company guided right from its beginnings in 1947 by strong values based on a fundamental respect for the individual and a belief in people's ability to use their initiative. The business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. In certain markets products are sold via franchise partners. The group has nine brands – H&M and H&M HOME, COS, & Other Stories, Monki, Weekday, ARKET, Afound and Sellpy. Each of the group's brands has its own unique profile and identity, and they complement each other well. Together they offer customers a variety of trends and styles at various price points within fashion, beauty, accessories and homeware, as well as cafés with an offering that includes modern, healthy food. All the brands share a passion for fashion, design and quality at the best price in a sustainable way. For each brand there is a design and buying function, in which teams of people from differing backgrounds and with diverse experiences and skills work together to produce a relevant and inspiring product range for their particular customer group. H&M's design and buying function creates its collections centrally in Stockholm, while COS – for example – has its design and buying function in London. Afound departs from this model since it is a marketplace for discounted products from other brands – both external brands and the H&M group's own.

Earnings and financial position

The profit for the year and financial position are commented on in connection with the income statement and balance sheet on pages 52–55.

An industry in transition

Increased digitalisation in society has created new customer behaviours that are continuing to change, while customer expectations are increasing at an ever faster pace. More and more shopping is taking place online, generally from a mobile, which is also changing the role of the physical stores since the entire retail landscape is being reshaped. In view of the ongoing transformation of fashion retail, for several years the H&M group has been making major investments in areas such as digitalisation, a more efficient supply chain including new logistic centres and logistics systems,

tech infrastructure, advanced analytics and AI. Positive effects of these initiatives can be seen, providing resources and support for the transformation work that H&M is undertaking to adapt to the shift in the industry and take advantage of the opportunities arising. In 2019 the H&M group continued to increase online trading, integrate the digital and physical channels and to optimise the store portfolio to create a shopping experience that is as simple and flexible as possible and to have the right presence in each market. Another example of how the company is adapting to the transformation of the industry is the creation of the new Business Tech function, which will gradually replace the previously separate functions of IT, Advanced Analytics & AI and Business Development. This will increase the company's flexibility, speed and efficiency. Combined with the company's ambitious sustainability agenda, which includes minimising its overall environmental footprint, all these investments and changes are very important for securing the H&M group's position and long-term development. See also the sustainability report on pages 46–51.

Strategic focus areas

The action plan for the H&M group's transformation work is based on the company's strategic focus areas: to ensure the best customer offering, a fast, efficient and flexible product flow, a stable and scalable tech infrastructure, and adding growth. In general terms this means, in view of the extensive shift in the industry, driving change in order to be relevant to the customer at all times. Improvements are therefore being made to the product range with the aim of ensuring products with the best combination of design, quality, sustainability and price. The shopping experience is also being improved. In physical stores new concepts are being developed, the store portfolio is being optimised and changes are being made to adapt the experience to the local customers. In response to customers' growing interest in circular fashion the group is also offering new services such as clothes rental, garment repair and second-hand items, with a view to extending the life of the garments even further and to help customers achieve a sustainable lifestyle. The H&M group has also increased its shareholding in Sellpy, a fast-growing online sales platform for second-hand items. The group has been the majority shareholder in Sellpy since 2019.

The online experience is being developed by improving product presentation, navigation, payment options and deliveries. At the same time, the global integration of online and the physical stores continues at full speed in order to offer customers a seamless experience regardless of channel.

To create the best customer experience the H&M group is utilising its global presence and economies of scale, combined with new technology

FIVE YEAR SUMMARY

FINANCIAL YEAR	2019	2018	2017	2016	2015
Net sales, SEK m	232,755	210,400	200,004	192,267	180,861
Operating profit, SEK m	17,346	15,493	20,569	23,823	26,942
Operating margin, %	7.5	7.4	10.3	12.4	14.9
Operating cash flow per share, SEK	17.51	12.86	13.04	14.36	14.54
Return on equity, %	23.3	21.4	26.8	31.2	38.1
Equity/assets ratio, %	47.4	49.3	56.0	62.1	67.6
Average number of employees	126,376	123,283	120,191	114,586	104,634

For definitions of key figures see page 78.

and advanced analytics, to support its creative work and business processes. This requires a fast, flexible product flow covering the entire supply chain including logistics systems, processes and warehouses, as well as advanced analytics (AA) and artificial intelligence (AI). For example, new logistics centres are consistently being brought into use to increase capacity and enable faster deliveries to customers, and new logistics systems are being implemented. In parallel with this the H&M group is continuing to develop an AI model with algorithms that can address the entire product flow: from trend detection to quantification, allocation, pricing and personalisation. This also creates the conditions for more resource-efficient and sustainable production, and thus reduced climate impact. The H&M group is also continuing its rollout of Radio Frequency Identification (RFID), a technology that provides precise information on an item's availability.

Expansion

The H&M group is continuing to expand online, through physical stores and digital marketplaces. The group's sales are made in leased store premises, online and via external platforms. The integration of stores and online continues. Work is continuing to roll out online globally to all H&M's existing markets and to other markets as well.

In 2019 H&M and H&M HOME opened online in Mexico, and H&M via franchise in Indonesia, Thailand and Egypt. This means H&M's online store is available in 51 markets and in addition, H&M was also launched on India's leading ecommerce platform Myntra. COS, Monki, Weekday, & Other Stories and ARKET opened online in Norway, & Other Stories also opened on Tmall in China and Afound opened online in the Netherlands.

New store markets in 2019 for H&M were Bosnia-Herzegovina, Belarus and – via a franchise partner – Tunisia. This means there are H&M stores in 74 markets. In 2019 Iceland became a new store market for COS, Weekday and Monki. Weekday, & Other Stories and ARKET opened their first stores in Luxembourg. COS also opened in Lithuania and Slovakia, while Monki also opened in Poland as well as via franchise in the United Arab Emirates. Weekday also opened in Poland and Switzerland, and & Other Stories in Latvia.

By the end of 2019 customers in around 70 new markets were able to shop online at COS, Weekday, Monki, & Other Stories and ARKET. The exact number of markets per brand varies for this new service.

The shift in the industry has brought opportunities for better lease terms. In 2019 the H&M group renegotiated a large number of store leases as part of the company's intensified store optimisation, which also involves rebuilds and adjustment of the number of stores and of store space to ensure that the store portfolio is the best fit in each market. In 2020 there will be opportunity to renegotiate around a further 1,000 leases.

Adaptation to changes in customers' shopping patterns was accelerated during the year. In the financial year 2019, the H&M group opened 281 (375) stores including franchise and closed, i.e. consolidated, 173 (146) stores, making a net increase of 108 (229) stores. The group had a total of 5,076 (4,968) stores as of 30 November 2019, of which 272 (255) were operated by franchise partners.

Of the group's 5,076 stores at the end of the financial year, there were 4,492 H&M stores, 291 COS stores, 130 Monki stores, 71 & Other Stories stores, 54 Weekday stores, 20 ARKET stores and 7 Afound stores. H&M HOME is in 383 H&M stores and has 11 standalone H&M HOME stores in 51 markets, and is online in 42 H&M markets.

For the 2020 financial year around 200 new stores are planned to open, including franchise stores, and there will be around 175 closures, making a net addition of around 25 stores. The majority of the openings will be in South America, Asia (excluding China) and in Russia and Eastern Europe, while the consolidations will take place mainly in Europe, the US and China.

Australia is scheduled to become a new H&M online market in the second half of 2020. H&M will also be launched on the ecommerce platform SSG.COM in South Korea during 2020.

An agreement has been signed with a new franchise partner in Central America. The first H&M store is planned to open in Panama at the end of 2020.

The H&M group's growth target to increase sales in local currencies by 10–15 percent per year with continued high profitability remains a long-term target.

Employees

The H&M group's business is to be characterised by a fundamental respect for the individual, where everyone is of equal value. This applies to everything from fair wages, reasonable working hours and freedom of association to the opportunity to grow and develop within the company. The company's values, which have been in place since the days of H&M's founder, Erling Persson, are based partly on the ability of the employees to use their common sense to take responsibility and use their initiative. Diversity among employees as regards age, gender, ethnicity etc. is a valuable asset for the company. For the H&M group it is important to offer an attractive workplace where committed employees thrive and develop together. By actively and consciously working according to our values we maintain an open corporate culture of equality that encourages collaboration and a focus on customers. The company works continually to develop skills and leadership and to ensure it has a supply of talent to harness the shift in the industry resulting from increasing digitalisation.

H&M has grown significantly since its beginnings in 1947 and today has a presence in 74 markets, as well as 19 production offices in 17 markets. At the end of the year the group had approximately 179,000 employees. The average number of employees in the group, converted into full-time positions, was 126,376 (123,283), of which 11,221 (10,839) are employed in Sweden.

Of the average number of employees, around 73 percent are women and 27 percent men. Of the positions of responsibility within the company, such as store managers and country managers, women hold 71 percent and men 29 percent of the positions.

EVENTS AFTER THE CLOSING DATE

On 30 January 2020 Stefan Persson announced that after more than 20 years as chairman of the board, he had decided not to stand for re-election at this spring's AGM on 7 May 2020. In view of Stefan Persson's decision, Karl-Johan Persson chose to leave his position as CEO. The board therefore resolved to appoint Helena Helmersson, former COO, as Karl-Johan Persson's successor in the position of CEO. The change of CEO took place on 30 January 2020. The nomination committee unanimously proposes that Karl-Johan Persson takes over as chairman of the board of H & M Hennes & Mauritz AB at the AGM.

RISKS AND UNCERTAINTIES

Some risks may be due to events in the outside world and affect a certain sector or market, while others are associated with the group's own business. The H&M group carries out regular risk analysis for both operational and financial risks. Operational risks are mainly associated with the business and the external risks that affect the group. Some can be managed through internal procedures, and in some cases the group can influence the likelihood of a risk-related event occurring. Other risks are determined to a greater extent by external factors. If a risk-related event is beyond the company's control, work is aimed at mitigating the consequences.

There are risks and uncertainties affecting the H&M group that are related to the shift in the industry, fashion, weather conditions, macro-economics and geopolitical events, sustainability issues, foreign curren-

cies, taxes and various regulations, but also in connection with expansion into new markets, the launch of new concepts and how the brand is managed. A description of the H&M group's operational and financial risks is given in the section operational risk, with more detailed information concerning financial risks being given in note 2, Financial risks.

The H&M group's approach to risk management and internal control is described in more detail on pages 22–35 of the corporate governance report. The description includes how the H&M group works according to the COSO framework, which is issued by the Committee of Sponsoring Organizations of the Treadway Commission and has five components: Control Environment, Risk Assessment, Control Activities, Information and Communication, as well as Monitoring Activities.

OPERATIONAL RISK

Major shift in the industry

Society is being increasingly influenced by growing digitalisation, as a result of which many sectors such as the retail trade are undergoing significant structural changes – a shift in the industry, with rapidly changing customer behaviour. The H&M group sees many opportunities arising from this shift since the group has the capacity and the resources to seize these, but there are also risks for those that are not fast and agile enough during this transitional period. Since more and more shopping is taking place online, mainly via mobiles, the shift is bringing challenges for physical retail stores throughout the sector. The H&M group is therefore integrating its physical stores more and more with its online store, to make the shopping experience as convenient and easy for the customer as possible. This shift also means that the competitive landscape is being redefined, that there is increasing focus on creating sustainable solutions, that new operators are coming in with new business models and that profitability in the industry is being squeezed by the fierce competition.

Reputational risk

As one of the world's leading fashion companies H&M attracts great interest and is constantly in the spotlight. To safeguard and manage the brands it is important that the H&M group continues to be developed and run according to its strong values, which are characterised by high business ethics.

It is of the utmost importance that the H&M group lives according to the high aims set out in its policies and guidelines on business ethics and has good knowledge, insight and procedures in respect of the production of its products. It is also of the utmost importance that the H&M group lives up to the high ambitions that it has set itself in the area of sustainability. Should the H&M group fail in these respects, there is a risk that the group's reputation and brands could be damaged. Accurate, transparent and reliable communication can prevent occurrences of reputational risk, and can also help mitigate the consequences of any incidents.

Fashion

Operating in the fashion industry is a risk in itself. Fashion has a limited shelf-life and there is always a risk that some part of the collections will not be sufficiently commercial, i.e. will not be well received by customers. Fashion purchases are often emotional and may therefore be negatively affected by unforeseen geopolitical and macroeconomic events. Purchasing decisions are also increasingly influenced by customers' desire to live more sustainably.

Within each concept it is important to have the right volumes and the right balance in the mix between fashion basics and the latest trends. In summary, each collection must achieve the best combination of fashion, quality, price and sustainability.

To optimise fashion precision, the H&M group buys items on an ongoing basis throughout the season. Fashion is becoming increasingly global,

but shopping patterns vary between different markets and sales channels. The start of a season and the length of that season can vary from country to country, for example. Delivery dates and product volumes for the various markets and channels are therefore adjusted accordingly. Greater accuracy will also help reduce overall resource consumption and create a more sustainable business model.

Weather

The H&M group's products are purchased for sale based on normal weather patterns. Deviations from normal weather conditions affect sales. This is particularly true at the transition between two seasons, such as the transition from summer to autumn or from autumn to winter. If the autumn is warmer than usual it may have a negative effect on sales of weather-related garments in particular, such as outerwear and chunky knitwear. The increasingly clear effects of climate change mean that these variations are likely to increase in the future.

Negative macroeconomic changes and geopolitical risks

One or more markets may be affected by events that have a negative effect on the macroeconomic situation or geopolitical environment in the country. These changed macroeconomic or geopolitical circumstances, such as political instability and sudden negative events, e.g. virus outbreaks, in one or more countries, may result in rapid changes in the business environment and in economic downturn, which is likely to change consumer purchasing behaviour and thus negatively impact the group's sales.

Uncertainties also exist concerning how external factors such as foreign currencies (see the following section), raw materials prices, transport costs and suppliers' capacity will affect buying costs for the group's products. There are also risks associated with social tensions in sourcing markets, which may lead to instability for suppliers and in manufacturing and deliveries. The climate risk analysis that the company has carried out according to TCFD guidelines has shown that climate change may have further effects on the conditions for producing and distributing products in certain regions/countries (see also page 48).

The group therefore needs to monitor such changes closely and have strategies in place to deal with fluctuations as advantageously as possible for both the company and external stakeholders.

Sustainability risks

The H&M group has a highly ambitious sustainability strategy which aims to lead the change towards a more sustainable fashion industry. This gives rise to both opportunities and risks. Some of the main risks identified by the company include shortage of natural resources, climate change and its impact, failure to uphold human rights along the supply chain, corruption, political and social instability in production and sourcing markets and changed consumption patterns and customer attitudes. This last factor could ultimately have major effects on the H&M group's sales – both positive and negative – and the outcome will depend on how successful the company is in its work on the sustainability strategy, including how well the company meets customers' expectations concerning sustainability.

For a more detailed description of risks related to sustainability see the sustainability report on pages 46–51, and particularly pages 48–49 for the climate risk analysis according to TCFD.

FINANCIAL RISKS

Foreign currencies

Nearly half of the group's sales are made in euros, while the most significant currencies for the group's purchasing are the US dollar and the euro. Fluctuation in the US dollar's exchange rate against the euro is the single largest foreign currency transaction exposure for the group. Large and

rapid exchange rate fluctuations, particularly as regards the US dollar as a sourcing currency, may also have a significant effect on purchasing costs – even if this may be regarded as relatively competition-neutral over time. To hedge flows of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuations, payments for the group's flows of goods – i.e. the group's purchases of goods and in the majority of cases also the corresponding foreign currency inflows from the sales companies to the central company H & M Hennes & Mauritz GBC AB – are hedged under forward contracts on an ongoing basis.

In addition to the effects of transaction exposure, translation effects also impact the group's results. These effects arise due to changes in exchange rates between the local currencies of the various foreign sales companies and the Swedish krona compared to the same period the previous year. The underlying profit/loss in a market may be unchanged in the local currency, but when converted into SEK may increase if the Swedish krona has weakened or decrease if the Swedish krona has strengthened.

Translation effects also arise in respect of the group's net assets on consolidation of the foreign sales companies' balance sheets. For more information on currency hedging see note 2, Financial risks.

Trade intervention

Purchasing costs may be affected by decisions at a national level on export/import subsidies, customs duties (see more below), textile quotas, embargoes etc. The effects primarily impact customers and companies in individual markets. Global companies with operations in many countries are affected to a lesser extent, and among global corporations trade interventions may be regarded as largely competition-neutral. In the event of a major trade war between two countries this would affect not just sourcing costs but generally also the entire flow of goods from production to the customer, which the companies would need to mitigate.

Related party customs valuation continues to attract attention at a global, regional and national level, from both authorities and importers such as the H&M group. It will therefore continue to be important for the H&M group to proactively monitor and manage future developments in this area. One challenge is that customs authorities around the world are not taking a consistent approach to the assessment of pricing between related parties, despite the fact that the rules on customs valuation are based on the same global customs valuation rules.

Taxes

For multinational companies today's global environment involves complex tax risks, such as the risk of double taxation and tax disputes. As a large global company, the H&M group closely monitors developments in the field of tax. The H&M group is present in many countries and through its operations contributes to the community via various taxes and levies such as corporate tax, customs duties, income taxes and indirectly via VAT on the clothes sold to consumers.

The H&M group complies with national and international tax legislation, and always pays taxes and levies in accordance with local laws and regulations in the countries where the H&M group operates. The H&M group's tax policy, which can be found at hmgroup.com, reflects and supports H&M's business. The H&M group follows the OECD Transfer Pricing Guidelines, which means that profits are allocated and taxed where the value is created. Up until mid-2019 the H&M group was ISO certified for direct taxation and transfer pricing.

The H&M group works continually to ensure that its tax strategy is designed to limit any distortion arising from differences in tax legislation in different parts of the world.

The OECD guidelines on transfer pricing can be interpreted in various ways, and consequently tax authorities in different countries may ques-

tion the outcome of the H&M group's transfer pricing model even though the model complies with the OECD guidelines. This may mean a risk of tax disputes in the group in the event that the H&M group and the local tax authorities interpret the guidelines differently.

ARTICLES OF ASSOCIATION, ANNUAL GENERAL MEETING

According to H&M's articles of association, the board of H & M Hennes & Mauritz AB is to consist of at least three but no more than twelve members elected by the AGM and no more than the same number of deputies. The annual general meeting decides the exact number of board members, and which individuals are to be elected to the board. Board members are elected for the period until the end of the next annual general meeting. The annual general meeting also decides on amendments to the articles of association.

NUMBER OF SHARES ETC.

At the end of the financial year H&M had 235,545 shareholders. The total number of shares in H&M is 1,655,072,000, of which 194,400,000 are class A shares (ten votes per share) and 1,460,672,000 are class B shares (one vote per share).

H&M's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 57.1 percent of the votes, as well as 561,749,929 class B shares, representing 16.5 percent of the votes. In addition, the family privately own 36,400,289 class B shares. This means that as of 30 November 2019, Stefan Persson and family privately and via Ramsbury Invest AB represent 74.7 percent of the votes and 47.9 percent of the total number of shares. Ramsbury Invest AB is thus formally the parent company of H & M Hennes & Mauritz AB. Ramsbury Invest AB is owned by Stefan Persson and family, and primarily by Stefan Persson. Karl-Johan Persson is also a shareholder in Ramsbury Invest AB.

There are no restrictions on voting rights or authorisations to the board relating to the issue or acquisition of the company's own shares.

CORPORATE GOVERNANCE REPORT

The H&M group has elected to present its corporate governance report as a separate document to the annual report in accordance with chapter 6 § 8 of the Swedish Annual Accounts Act. The corporate governance report is available at hmgroup.com and on pages 22–35 of the annual report.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The board considers it of the utmost importance that senior executives are paid competitive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance. The board's proposed remuneration is in the best interests of the company and its shareholders from a growth perspective, since it helps motivate and retain talented and committed senior executives.

The annual general meeting held on 7 May 2019 adopted the following guidelines for remuneration of senior executives.

The guidelines essentially accord with the guidelines adopted at the 2018 annual general meeting. The long-term variable remuneration that was subject to a five-year rule will no longer be relevant after the 2019 AGM since the programme expired in spring 2019.

In addition to the CEO, the board's proposed new guidelines for senior executives cover members of the executive management team and those responsible for other group functions; overall, this amounts to nearly 20 individuals. The guidelines are based on industry comparisons.

Senior executives shall be compensated at what are considered by the company to be competitive market rates. The criteria used to set

levels of compensation shall be based partly on the significance of the duties performed and partly on the employee's skills, experience and performance. Over time, the largest portion of the total remuneration shall consist of the fixed salary. The forms of compensation shall motivate senior executives to do their utmost to ensure the good financial and sustainable development of the H&M group.

The total annual remuneration may consist of the following components:

- fixed basic salary
- short-term variable remuneration
- pension benefits
- other benefits

Fixed basic salary

Senior executives shall have a fixed basic cash salary that is at a market level based on each position's significance for the company as a whole. The basic salary shall reflect the individual's area of responsibility, skills and experience and requires the individual to work in a committed manner at a high professional level.

Variable remuneration

There shall be a clear link between the level of variable remuneration paid and the H&M group's financial and sustainable development. From time to time, therefore, senior executives are entitled to variable remuneration that depends on the fulfilment of targets – which include group-wide financial targets such as pre-set targets for profits and sales, sustainability targets, and individual targets within that person's area of responsibility. The targets are aimed at promoting the H&M group's development in both the short and the long term.

At individual level it is the position's significance and opportunity to influence the overall development of the group that decides the level of the variable remuneration. The CEO decides the maximum possible outcome for each position, but always within the framework of these guidelines. Variable remuneration is not paid if the individual has given notice to terminate his/her employment.

The variable remuneration may consist of:

Short-term variable remuneration, which is the possibility of a cash payment provided that the target criteria that were set in advance for both the group and the individual have been fulfilled. Half of the payment shall be invested in H&M shares that must be held for at least three years. Short-term variable remuneration must never exceed the fixed basic salary for each individual.

In a few cases senior executives may, at the discretion of the CEO and the chairman of the board, receive one-off payments of up to an extra year's fixed basic salary. Discretionary one-off amounts may also be paid to other key individuals.

Pension benefits

By far the majority of senior executives are covered by a premium-based pension plan, in addition to the ITP plan. Other than the ITP plan, no defined benefit pension plans have been taken out for senior executives since 2005. The retirement age for senior executives varies between 60 and 65 years. The cost of these commitments is partly covered by separate insurance policies.

Other benefits

Senior executives receive other benefits such as healthcare and car allowances. Senior executives are also entitled to the benefits accruing under the profit-sharing programme known as the H&M Incentive Program, which is for all employees of the H&M group.

Information concerning the CEO

The retirement age for the CEO is 65. The CEO is covered by the ITP plan and a defined contribution plan. The total pension cost shall amount in total to 30 percent of the CEO's fixed basic salary. The CEO is entitled to 12 months' notice. In the event that the company cancels the CEO's employment contract, the CEO will also receive severance pay of an extra year's salary.

The board of directors sets the CEO's total remuneration. The CEO is not included in the long-term variable remuneration, i.e. what was previously referred to as supplementary guidelines.

Other

The period of notice for senior executives varies from 3 to 12 months.

The board of directors may deviate from the guidelines for remuneration of senior executives in individual cases where there is a particular reason for doing so.

Where a board member performs work for the company in addition to his or her board work, a separate fee may be paid for this. This also applies if the work is performed by a company wholly or partly owned by the board member.

THE BOARD'S PROPOSALS TO THE 2020 AGM FOR GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

These guidelines cover remuneration to the CEO, remuneration to board members (aside from board fees) and remuneration to other senior executives. Senior executives means members of the executive management team apart from the CEO and the individuals responsible for other group functions who report directly to the CFO. The executive management team comprises those responsible for the functions that report directly to the CEO.

The guidelines are to be applied to remuneration that is agreed, and to changes that are made to previously agreed remuneration, after the guidelines have been adopted at the 2020 annual general meeting. The guidelines do not cover remuneration that is decided by the annual general meeting.

How the guidelines contribute to the company's business strategy, long-term interests and sustainability

Under the Swedish Companies Act, an explanation is to be given in the guidelines as to how they contribute to the company's business strategy, long-term interests and sustainability.

The H&M group does not use the expression "business strategy", but instead uses "strategic focus areas". This is probably the expression that most closely corresponds to what the Companies Act means by the term business strategy. The strategic focus areas are: create the best customer offering; ensure we have a fast, efficient and flexible product flow; secure a stable and scalable infrastructure – our "tech foundation"; and add growth by expanding through stores, online and digital marketplaces and by integrating physical stores and online shopping. These guidelines are to contribute to the H&M group's strategic focus areas, long-term interests and sustainability in the ways outlined below.

The board considers it of the utmost importance that senior executives are paid competitive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance. Successful work on the company's strategic focus areas and to safeguard the company's long-term interests, including sustainability, requires the company to be able to recruit, motivate and retain talented, committed employees. Senior executives shall be compensated at what are considered by the company to be competitive market rates, based partly on industry comparisons. The criteria used to set levels of compensation shall be based partly on the significance of

the duties performed and partly on the employee's skills, experience and performance. At individual level it is the position's significance and opportunity to influence the overall development of the group that decides the level of the variable remuneration. Over time, the largest portion of the total remuneration shall consist of the fixed basic salary. The forms of compensation shall motivate senior executives to do their utmost to ensure the good financial and sustainable development of the H&M group.

Types of remuneration etc.

The total annual remuneration may consist of the following components:

- fixed basic salary
- variable remuneration
- pension benefits
- other benefits

Fixed basic salary

Senior executives shall have a fixed basic cash salary that is at a market level based on each position's significance for the company as a whole. The basic salary shall reflect the individual's area of responsibility, skills and experience and requires the individual to work in a committed manner at a high professional level.

Variable remuneration

The variable remuneration may consist of both criteria-related remuneration and a discretionary one-off payment.

The criteria for criteria-related variable remuneration contribute to the company's strategic focus areas, long-term interests and sustainability in the ways set out below.

There shall be a clear link between the level of criteria-related variable remuneration paid and the H&M group's financial and sustainable development. From time to time, therefore, senior executives are entitled to variable remuneration that depends on the fulfilment of targets – which include group-wide financial targets such as pre-set targets for profits and sales, sustainability targets, and individual targets within that person's area of responsibility. The financial targets are comprised mainly of criteria related to sales and profitability. Fulfilment of targets is measured over a period of one year. The targets are aimed at promoting the H&M group's development in both the short and the long term.

At individual level it is the position's significance and opportunity to influence the overall development of the group that decides the level of the variable remuneration. The CEO decides the maximum possible outcome for each position, but always within the framework of these guidelines.

Criteria-related variable remuneration is the possibility of a cash payment provided that the target criteria that were set in advance for both the group and the individual have been fulfilled. Half of the payment shall be invested in H&M shares that must be held for at least three years. The criteria-related variable remuneration must never exceed the individual's annual fixed basic salary.

At the end of the measurement period for fulfilment of criteria for payment of variable remuneration, an assessment is to be made of the extent to which the criteria have been fulfilled. In the case of variable remuneration to the CEO, the board is responsible for this assessment. In the case of variable remuneration to other senior executives, the CEO is responsible for the assessment. Where financial targets are concerned, the assessment is to be based on the most recently published financial year.

Discretionary one-off payments may be made in individual cases to other members of the company's management following a discretionary decision by the CEO and the chairman of the board. The discretionary one-off payment must never exceed the individual's annual fixed basic salary.

Pension benefits

In the case of the CEO, pension benefits – including sickness insurance – are to be on a defined contribution basis. Variable cash remuneration shall not be pensionable. The pension premiums for the year must not exceed 30 percent of the CEO's annual fixed basic salary.

In the case of other senior executives, pension benefits – including sickness insurance – are to be on a defined contribution basis unless the executive is covered by a defined benefit pension plan under the mandatory provisions of collective bargaining agreements. Variable cash remuneration shall be pensionable to the extent that this is laid down in mandatory provisions of collective bargaining agreements that are applicable to the senior executive. The pension premiums for the year must not exceed 40 percent of the senior executive's annual fixed basic salary.

The cost of the present commitments is partly covered by separate insurance policies.

The retirement age for the CEO is 65.

The retirement age for other senior executives varies between 60 and 65 years.

Other benefits

Senior executives may receive other benefits such as wellness subsidies, car allowances and medical insurance. The total annual costs associated with other benefits must not exceed 20 percent of the individual's annual fixed basic salary.

Termination of employment

The period of notice for senior executives varies from three to 12 months. Variable remuneration is not to be paid if the individual has given notice to terminate his/her employment.

The CEO is entitled to 12 months' notice. In the event that the company terminates the CEO's employment contract, the CEO will also receive severance pay of a year's salary. No other severance pay is payable by the company.

Salary and employment terms for other employees of the company

When preparing the board's proposed guidelines for remuneration to senior executives consideration was given to the salary and employment terms of the company's other employees by using information concerning the employees' total remuneration, the components of the remuneration and the increase in and rate of increase in the remuneration over time as part of the basis on which the board assessed whether the guidelines, and the resulting limitations, are reasonable.

Consultancy fees

Where a board member performs work for the company (including through a wholly owned company) in addition to his or her board work, a separate fee may be paid for this (consultancy fee). Such fee shall not exceed the board fee paid to the member concerned. The fee is to be based on the current market rate and be proportionate to the benefit for the company and the extent to which such work contributes to the good financial and sustainable development of the H&M group.

Decision process for establishment, review and implementation of the guidelines

The company has no remuneration committee, since the board of directors deems it more appropriate for the entire board to carry out the tasks of a remuneration committee. The board prepares proposed guidelines for remuneration to senior executives and these proposals are presented at the annual general meetings. The board is to prepare a proposal for new guidelines at least every four years and submit the proposal for decision by the annual general meeting. The guidelines shall apply until new guide-

lines have been adopted by the annual general meeting. The board shall also monitor and evaluate programmes for variable remuneration to the company's management and the application of the guidelines for remuneration to senior executives, as well as current remuneration structures and levels in the company. The board shall further decide on the CEO's salary in accordance with the guidelines in effect and shall continually evaluate the work of the CEO. Once a year this matter is to be discussed separately in conjunction with the setting of the CEO's remuneration for the coming year. To avoid conflicts of interest, no member of the company's management is to be present when the board discusses remuneration matters. The board shall decide on any consultancy fees to board members without the member concerned being present.

Other

Senior executives are also entitled to the benefits accruing under the profit-sharing programme known as the H&M Incentive Program, which is for all employees of the H&M group. The programme was adopted by a previous annual general meeting and is not covered by these guidelines.

Regarding employment terms falling under rules other than Swedish rules, in the case of pension benefits and other benefits the guidelines are to be adapted as appropriate to comply with any such mandatory rules or established local practice, while fulfilling the general aim of the guidelines as far as possible.

The board may decide to temporarily deviate from the guidelines in full or in part if there is particular reason to do so in an individual case and this is necessary in order to satisfy the company's long-term interests and sustainability or to ensure the financial viability of the company. The procedure for doing this is as follows: decisions to deviate from the guidelines are to be taken by the board at a board meeting.

FINANCING

As of 30 November 2019, the group had SEK 6,909 m (9,153) in loans with a term of up to 12 months, of which SEK 4,330* m (0) in commercial papers, SEK 8,408 m (10,170) in loans with a term of between 12 months and five years, and SEK 2,000 m (0) in loans with a term of over five years.

Loans from within the Nordic countries amounted to SEK 13,836 m (17,886) with an average interest rate of 0.65 percent. Loans in eurozone countries amounted to SEK 3,153 m (1,034) with an average interest rate of 0.21 percent, and loans from credit institutions in the rest of the world amounted to SEK 328 m (403) with an average interest rate of 8.26 percent. The group's strategy is to mainly centralise financing, which is then distributed within the group via loans to subsidiaries. In some of H&M's sales markets local rules and currency restrictions make it more favourable for the group to use local financing.

The strong credit profile of the H&M group enables cost-effective financing. To increase financing flexibility and cost-effectiveness, the group continuously reviews opportunities to complement this with other sources of funding on the credit market.

Total cash and cash equivalents as well as unutilised committed credit facilities amounted to SEK 24,169 m (18,829) and the average term of loans from credit institutions was 1.9 years (1.6).

* As previously communicated H & M Hennes & Mauritz AB launched a Swedish commercial paper programme in May 2019.

CAPITAL STRUCTURE

The H&M group advocates a conservative leverage ratio, aiming for a strong capital structure with strong liquidity and financial flexibility. It is essential that, as in the past, expansion and investments can proceed with continued freedom of action. The capital structure is defined as net debt in relation to EBITDA. Over time, this should not exceed 1.0 x EBITDA. Net debt/EBITDA was 0.2 (0.3) as of 30 November 2019.

IFRS 16 Leases, which is being applied from 1 December 2019, will have substantial effects on the reporting of liabilities, assets and EBITDA. However, the H&M group will continue to define the capital structure exclusive of IFRS 16 effects. The company considers this to provide a clearer picture at the present time of the actual debt/equity ratio, and it is also the measure used in internal monitoring.

DIVIDEND POLICY AND PROPOSED DIVIDEND

The board of directors' intention is to provide shareholders with a continued good return while ensuring that, as in the past, expansion and investments can proceed with a continued strong financial profile and freedom of action. Based on this, the board of directors has agreed a dividend policy stating that the total dividend should exceed 50 percent of profit after tax, yet taking into consideration the capital structure target. The dividend will be paid in two instalments – one in the spring and one in the autumn.

The board of directors has decided to propose an unchanged dividend of SEK 9.75 per share (9.75) to the annual general meeting on 7 May 2020, corresponding to 120.0 percent (127.5) of the group's profit after tax.

The record date proposed for the first payment of SEK 4.90 is 11 May 2020. This would then be paid out on 14 May 2020. The record date proposed for the second dividend payment of SEK 4.85 is 10 November 2020. This would then be paid out on 13 November 2020.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the annual general meeting:	SEK 16,871,523,055
The board of directors proposes a dividend of SEK 9.75 per share	SEK 16,136,952,000
To be carried forward as retained earnings	SEK 734,571,055
	SEK 16,871,523,055

The board of directors is of the opinion that the proposed dividend is justifiable since it is based on the fact that the underlying operations are showing gradual improvements, investments (capex) will reduce in 2020, the stock-in-trade situation has improved and the company remains in a strong financial position. The dividend proposal takes into consideration the financial position and continued freedom of action of the group and the parent company, the capital structure target and the requirements that the nature and extent of the business, its risks and expansion and development plans impose on the group's and the parent company's equity and liquidity.

Statutory Sustainability Report

This report is prepared in accordance with chapter 6 §§ 10–14 of the Annual Accounts Act and covers the financial year from 1 December 2018 to 30 November 2019.

The statutory sustainability report contains the disclosures on sustainability that are required in order to gain an understanding of the company's performance, position and results as well as the impact of the operations, including information on issues relating to climate and the environment, social conditions, human resources, respect for human rights and anti-corruption measures. This report was submitted to the company's auditor along with the annual report. As previously, the H&M group also prepares a separate Sustainability Performance Report in accordance with GRI, which is published on the company's website <https://hmgroup.com/sustainability.html>.

Sustainability strategy of the H&M group

In 2019 the importance of tackling global sustainability issues – the climate crisis being just one of them – became more evident than ever before. The H&M group believes that its sustainability vision and strategy is well on track to meet these challenges.

The vision of the H&M group is to lead the change towards circular and climate positive fashion while being a fair and equal company. The company sees it as its role to use its size and scale to lead the change to a truly sustainable fashion future – both for its own business and, together with all relevant stakeholders, for the entire industry. This strategy is built on three key ambitions:

100% LEADING THE CHANGE

- Promote and scale innovation
- Drive transparency
- Reward sustainable actions

100% CIRCULAR & CLIMATE POSITIVE

- A circular approach to how products are made and used
- All materials to be recycled or otherwise sustainably sourced
- A climate positive value chain

100% FAIR & EQUAL

- Fair jobs for all
- Inclusion and diversity

The H&M group's sustainability vision and strategy apply to all its brands. To fulfil this vision and lead systemic change across the industry, the H&M group's work is not limited to its own operations but spans the entire value chain, including:

- Design
- Choice and development of raw materials
- Suppliers of materials and products: the H&M group works with around 757 commercial products suppliers for H&M group brands in a total of 1,712 manufacturing factories and final product processing units, employing 1.6 million people. This includes apparel, footwear, accessories, home interior, furniture and beauty
- Transport
- 5,076 stores in 74 markets as well as 51 online markets
- Customer use phase, garment care and product's end of use

Outlined here are key elements of the H&M group's sustainability strategy, related policies, governance and results, as well as risks and opportunities addressed. For a full overview see the Sustainability

Performance Report at hmgroup.com. The Sustainability Performance Report for 2019 will be published in April 2020.

For further details of the policies mentioned here visit hmgroup.com.

Risks and opportunities

The H&M group aims to take a leading position both in addressing some of the most critical risks and also in seizing the opportunities arising in the fashion industry, using its size and scale to leverage systemic change. Key risks addressed include the growing scarcity and linear use of natural resources, the climate crisis and its consequences, reputational risk, corruption, the risk of forced labour and modern slavery, as well as other specific or local salient human rights issues identified and mitigated in line with the UN Guiding Principles for Business and Human Rights (see the Sustainability Performance Report for further details).

The H&M group is convinced that working according to its sustainability vision will create even stronger relationships with customers and colleagues as well as with suppliers, their employees and the group's many other stakeholders. This makes it easier for the company to identify innovative ways to make and bring fashion and design to customers, drive the development of new materials and give the company early access to these – allowing it to build an important foundation for successful business in the decades to come.

Governance and general follow-up procedures

Reporting directly to the CEO, the head of sustainability is accountable for implementation of the sustainability vision and strategy together with the executive management team. Twice a year the head of sustainability reports performance (against key sustainability indicators) to the board of directors.

The global sustainability department consists of approximately 40 experts responsible for setting the group-wide sustainability strategies, goals, policies and follow-up procedures, and for integrating these and other relevant metrics into the core of the business in close collaboration with internal and external stakeholders.

In 2019 the reporting process was further strengthened. Every quarter the strategy leads in the sustainability department report progress against the sustainability KPIs, along with key challenges, learnings and activities. They review their progress and findings with the head of sustainability, who in turn reviews them with the CEO and CFO.

Each brand, retail and production market, and each H&M group function, has a sustainability manager who drives the implementation of the strategy. More than 240 employees work specifically on sustainability in production markets, brands, functions, retail markets and at the H&M group head office.

ENVIRONMENT: 100% CIRCULAR & CLIMATE POSITIVE

Strategy and policy

The climate crisis and resource depletion are two of the biggest challenges facing the planet. A linear, unconstrained model of production and consumption is not sustainable, and the H&M group is determined to be proactive in moving the industry towards a better, circular way of working. The focus is on two critical areas:

- *Achieving full circularity.* Circular models optimise resources and minimise waste, so that resources stay in use for as long as possible before being recycled or repurposed. The H&M group is working to build circularity into every stage of the value chain – from design and production to customer use, reuse and recycling – and to use only sustainable, renewable resources while ensuring that materials come from recycled or other sustainable sources. The aim is to become fully circular. This is an ambitious vision, but working towards a world without waste is essential for the planet and for society.

- **Becoming climate positive.** The climate crisis is a major challenge faced by our world. Determined to play its part in tackling carbon emissions, the H&M group's goal is to become climate positive throughout the value chain by 2040. The company's ambition to be fully circular is an important foundation for reaching this goal, alongside working to cut energy use throughout the value chain, using renewable energy, and exploring natural and technological carbon sinks.

Circular

The ambition of the H&M group is for its business to become fully circular across the entire value chain. This means moving from a linear model to a circular model that maximises resource use and wastes nothing. The circular strategy applies to commercial products as well as to non-commercial goods such as packaging, store interiors and buildings.

A circular business model, which is an aspiration in its own right, is fundamental to achieving the group's goal of a climate positive value chain by 2040. Innovation drives circularity efforts, including developing new ways of making and using products, and how they are then reused and recycled. The company is developing services and other ways to repair, reuse, repurpose and recycle goods wherever possible and encouraging customers to make more sustainable choices.

- The H&M group has a goal to source 100 percent sustainable cotton by 2020. In 2019 a total of 97 (95) percent of cotton was sustainably sourced.
- The H&M group has a goal to source 100 percent recycled or other sustainably sourced materials by 2030 (commercial goods and packaging). In 2019 the company achieved 57 (57) percent. In 2019, the group increased the share of recycled content from 1.4 percent to 2.2 percent, reducing the proportion of new materials present in the group's products.
- The Textile Exchange's Corporate Fiber & Materials Benchmark programme includes the Material Change Index (MCI), which tracks the apparel, footwear and home textiles sector's progress towards more sustainable materials sourcing as well as its alignment with the global Sustainable Development Goals and transition to a circular economy. In the 2019 results the H&M group was one of 16 companies out of 170 that were scored as Leaders (Material Index Level 4).
- In 2018 the H&M group set a goal that by 2025 all packaging is to be reusable, recyclable or compostable, and that by 2030 all packaging

and all non-commercial goods should be made from recycled or other sustainably sourced materials.

- For more than a decade the H&M group has worked to reduce water impacts across the value chain. The company's water stewardship strategy addresses large-scale and local impacts. It focuses on water awareness throughout the value chain, impact measurement, water efficiency, stakeholder engagement, and working with policy makers to advocate for sustainable water management at basins.
- In 2011 the H&M group signed the ZDHC commitment to achieve zero discharge of hazardous chemicals from the textile and leather supply chains by 2020. Reaching this goal demands good chemical management in production processes and using best-in-class chemicals. To identify better and safer alternatives the H&M group has adopted Screened Chemistry, a hazard-based scoring system. The development of shared industry tools and standards – including a common Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSList) – is essential to making progress.
- The H&M group collects old clothes and home textiles, from any brand and in any condition, for reuse and recycling on a global scale with the goal of collecting 25,000 tonnes annually by 2020. In 2019 the H&M group collected 29,005 (20,649) tonnes of textiles through its garment collecting initiatives.
- The H&M group explores new ways for customers to use, customise, repair, reuse and recycle products. During 2019 several new services were launched and tested, including print-on-demand, remake, repair, rental and second-hand – all to explore how to maximise product life and minimise waste.

Climate positive

An average global temperature increase of more than 1.5°C from pre-industrial levels will bring catastrophic consequences for people and the environment, according to the Intergovernmental Panel on Climate Change¹ (IPCC). To stay within the 1.5°C trajectory, global carbon emissions must halve every 10 years. The H&M group accepts responsibility for its part in this and is determined to drive the transition to a fossil-free economy.

The Science Based Targets initiative (SBTi) has confirmed that the H&M group's combined scope 1 and 2 target ambition is in line with a well-below 2°C trajectory, and that the company's renewable electricity

KPI	GOAL	2019	2018	2017
% recycled or other sustainably sourced materials (commercial goods)	100% by 2030	57	57	35
% recycled or other sustainably sourced cotton (certified organic, recycled or Better Cotton)*	100% by 2020	97	95	59
Tonnes of garments collected through garment collecting initiative*	25,000 t per year by 2020	29,005	20,649	17,771
% of renewable electricity in own operations*	100%	96	96	95
% change in CO ₂ emissions from own operations (scope 1+2**) compared with previous year*	Climate positive value chain by 2040	+8***	-11	-21
Tonnes of CO ₂ emissions from own operations (scope 1+2**)	Climate positive value chain by 2040	61,462	56,977	63,690
% change in electricity intensity (kwh/m ² per opening hour in store compared with 2016)*	-25% by 2030	-10.1	-8.2	-2.7

Indicators marked * have been reviewed by the company's auditors.

** Scope 1 and 2 are direct and indirect emissions of greenhouse gases from the group's own operations.

*** In the company's own operations, such as for example warehouses, the emissions have increased by 8 percent due to increased usage of energy coming from natural gas and district heating. The H&M group continues to improve its electricity efficiency in the stores, reaching 10.1 percent reduction compared with baseline.

target in scope 2 is in line with a 1.5°C trajectory. The H&M group is working to ensure that all its climate targets are aligned with the 1.5°C goal.

The focus is on reducing emissions across the group's value chain through increased energy efficiency, increased use of renewable energy and by adopting a circular approach – but the H&M group wants to go further, becoming climate positive by no later than 2040. To achieve this, the use of carbon sinks is needed to remove more carbon from the atmosphere than the value chain creates.

- The H&M group aims to be a leader in energy efficiency and to use as little energy as possible across the value chain, focusing on three main sources of emissions – stores, transport and distribution centres, and suppliers.

The H&M group is committed to reducing the amount of energy used at every stage of the value chain, with the goal of a 25 percent reduction in electricity intensity in stores by 2030 compared to 2016 and having 100 percent of supplier factories enrolled in energy efficiency programmes by 2025.

- As well as sourcing 100 percent renewable electricity, the H&M group wants to be confident that this energy is of high quality. Internal standards specify that all renewable electricity purchased from 2019 onwards should be produced in modern generating facilities that are no more than 10 years old. The aim is to phase out the use of older technologies and use only solar or wind as renewable energy sources. The H&M group wants to send a clear signal to the market that new renewable generation capacity is needed and that its quality also needs to take biodiversity into consideration. This renewable energy purchasing strategy includes moving from Environmental Attribute Certificates (EACs) to a balanced portfolio of Power Purchase Agreements (PPAs) supporting large-scale renewables projects, rooftop solar photovoltaics and EACs.
- The H&M group is exploring solutions for long-term climate resilience, with a focus on carbon sinks, to address unavoidable emissions and emissions that occur outside its value chain. The company believes the crucial thing is to find long-term credible solutions that are also scalable. The H&M group continues to collaborate with experts to find the right strategic approach and move solutions forward in three areas: natural carbon sinks, technological carbon sinks and reductions outside the value chain.

Climate risk analysis according to TCFD

In 2019 the H&M group performed a climate risk assessment according to the guidelines from the Task Force on Climate-related Financial Disclosures (TCFD). In this analysis two different climate scenarios as defined by the IPCC (RCP2.6 and RCP6.0) were chosen. The scope includes the whole value chain; everything from raw materials, production and distribution to sales and customers.

Climate risk has been identified as one of the company's biggest corporate risks. The auditing committee (consisting of three board members) oversees this work and reviews performance in relation to all risks at least once a year. The company's risk analysis is also reviewed by the entire board once a year. The board monitors implementation of the sustainability strategy and initiates changes and updates where needed. These procedures and governance mechanisms allow the board to maintain close oversight over the company's sustainability and climate performance while also ensuring sufficient management focus and resources. The results of the risk analysis are summarised in the table on the next page.

Environmental follow-up procedures and results

The starting point is to select suppliers who share the company's ambition. This helps ensure that the minimum requirements in the Sustainability Commitment are met by all H&M group suppliers. A system of risk-based audits is used to monitor and maintain compliance with these

requirements. Through its Sustainable Impact Partnership Programme (SIPP) the H&M group is building up suppliers' capacity to engage in leading environmental and social practices.

The H&M group began rolling out SIPP to suppliers in 2016, when it replaced the company's previous supplier monitoring program. It includes a broader sustainability assessment encompassing management systems, performance over time and best practice. This gives a deeper insight into supplier performance and supports continuous improvement through a cycle of measurement, root cause analysis, capacity building, supplier ownership and constant improvement.

SOCIAL CONDITIONS AND EMPLOYMENT:

100% FAIR & EQUAL

Strategy and policy

More people than ever before live in middle-income countries and a large number of people move out of poverty every year, yet rising inequality within countries is still seen. Political volatility, population growth, climate change and migration are further contributing to social tensions and uncertainty. At the same time, increasing digitalisation and the shift towards more sustainable and circular business models are raising questions around the future of work and how to secure a just transition for people. Inclusive growth and decent jobs are considered key to securing the sustainable development of societies. Whilst there has been progress around diversity and equality in recent years, the rights and opportunities of women, LGBTQA+ communities, refugees, ethnic groups and people with disabilities are far from equal.

By being inclusive and by using the company's size and scale, the H&M group can contribute to a more fair and equal world which benefits both the company's business and people across the 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 rooted in the H&M group's values and its approach to human rights.

The H&M group adopts this approach by focusing on:

- Fair jobs for all – decent and meaningful jobs offering safe and healthy workplaces, a fair income, predictable employment, professional and personal development, and a work environment free from discrimination and where employees feel respected and are encouraged to make their voices heard.
- Inclusion and diversity – being inclusive and promoting diversity in all aspects of our business and across the value chain: through inclusive and equal opportunities of employment, diversity in workplaces, promoting diversity through products and communication, and by advancing inclusion in the societies of which the company is part.

THE H&M GROUP'S COMMITMENT TO HUMAN RIGHTS

Strategy and policy

Respect and support for human rights is the company's most basic responsibility. It is engrained in the H&M group's corporate culture and values, and is essential for the sustainability of the business.

The H&M group's Human Rights Policy² – guided by the UN Guiding Principles on Business and Human Rights (UNGPs) – describes the company's approach. Any human rights risks in the operations and supply chain are identified and managed using the following steps:

- *Due diligence.* The H&M group systematically conducts due diligence to identify, address and report on human rights-related risks or impacts during relevant assessment processes – including risk management processes, business partner assessments, stakeholder engagement, grievance handling and internal training.
- *Human rights management.* The company's structured approach to human rights management is based on the results of ongoing due dili-

Climate risk analysis according to TCFD

RISK	RISK DESCRIPTION	MITIGATION MEASURES
Increased prices of raw materials	Cotton is currently the H&M group's biggest and most important raw material. Higher temperatures and water shortages will most likely affect the ability to grow cotton in many of the world's cotton-growing regions. Long-term, the company believes that this will affect the availability and price of cotton. Price increases in other raw materials can also be expected.	<ul style="list-style-type: none"> - The H&M group has a major focus on innovation related to new materials and new recycling technologies. By increasing the share of recycled materials, dependence on virgin raw materials is reduced. - Its global sourcing organisation enables the company to easily change raw material suppliers when necessary to handle short-term price fluctuations.
Production disruption	Production disruption could occur in certain countries due to extreme weather events, social unrest, diseases (e.g. virus outbreaks) and climate migration, possibly also leading to challenges in recruiting workers.	<ul style="list-style-type: none"> - Contingency plans have been developed for suppliers located in high-risk regions. This enables us to temporarily or permanently move production to back-up suppliers located in alternative sourcing markets in low-risk regions.
Distribution disruption	Distribution disruption could occur due to extreme weather events affecting major transport nodes in the supply chain, e.g. flooding of harbours. There are particular risks associated with a few strategic harbours catering for a large share of the product flow. The consequences of this could be reduced product availability for customers and thus a negative impact on sales.	<ul style="list-style-type: none"> - Contingency plans have been developed for suppliers located in high-risk regions. This enables us to temporarily or permanently move production to back-up suppliers located in alternative sourcing markets in low-risk regions. - The H&M group is in the process of securing alternative distribution routes for nodes of critical importance where there is currently not enough back-up capacity.
Customers' changing attitudes and purchasing patterns	Increasing awareness about climate change is expected to impact customer preferences, with increased focus on products with low climate impact sold by companies that are seen as leaders in sustainability. This could also involve reputational risk related to brand perception.	<ul style="list-style-type: none"> - The H&M group has an ambitious sustainability strategy in place, aiming to become climate positive throughout the value chain by 2040 and to become fully circular, including by securing recycled or otherwise sustainably sourced raw materials by 2030. - A key component of this work is continuing to build trust in the brands and to have a lower environmental impact than competitors.

OPPORTUNITY	DESCRIPTION	MEASURES TO REALISE OPPORTUNITIES
Attracting more customers	Increasing awareness of the climate crisis may impact customer preferences for products or services with low climate impact from companies they trust and that share their values. This is an opportunity for the H&M group to attract more customers by providing a more sustainable offering.	<ul style="list-style-type: none"> - Delivering on the H&M group's ambitious strategy and at the same time fulfilling customer expectations in the climate area could lead to opportunities for increased market share. - Transparency and clear customer communication.
Developing new business models and creation of new revenue streams	There is a growing business opportunity to offer customers new ways of enjoying fashion – also resulting in reduced climate impact and increased customer loyalty.	<ul style="list-style-type: none"> - The H&M group is continuously developing new business models and new revenue streams, e.g. local production, rental, second-hand, clothing care and repairs to extend the life of the garments.
More precise purchasing practices	By developing more precise purchasing practices using advanced analytics (AA) and artificial intelligence (AI) the offering can be made even more relevant to customers and the climate impact can be reduced. Supply and demand can be more precisely aligned, helping to avoid overproduction and thus reducing climate impact.	<ul style="list-style-type: none"> - The H&M group has started using AA and AI in selected sales markets. The strategy is to introduce this method for all brands, functions and markets within the group.

gence and an up-to-date review of the group's salient human rights issues. Risk assessments are used for countries, functions, materials, processes and products to identify potential human rights risks – using ongoing dialogue and partnerships, training and incident management processes to raise awareness of and mitigate risks as needed.

- **Training.** The H&M group provides human rights training across its business, tailoring the content for different functions and roles. All human rights training includes a basic introduction to human rights, an outline of the company's responsibilities in line with the UNGPs, and an explanation of due diligence and management processes.
- **Incident management.** The H&M group handles potential human rights incidents at supplier factories in line with its overall supply chain management processes. In many countries where the company operates, ensuring certain human rights requires systemic change in collaboration with other actors in the market as well as addressing it through the group's public affairs. The H&M group's salient human rights issues are those with the most potential for severe negative impact as a consequence of the company's operations and supply chain. These include issues fundamental for fair and inclusive jobs – such as a living wage, and freedom of association and collective bargaining. They also include broader human rights issues that require greater attention in an increasingly digitalised world; for example, non-discrimination and privacy.

When working on the company's salient issues special attention is given to vulnerable groups such as migrant workers and children. The group regularly reviews this list of issues to ensure it is current. Read more about the company's identified salient human rights on hmgroup.com³.

The H&M group also reports in line with the UK Modern Slavery Act; see our statement at hmgroup.com/sustainability.

Fair jobs in the group's own operations

The H&M group's respect for human rights within its own operations is reflected in a set of social policies that guide the company's work as an addition to the group's values, such as the Global Compensation and Benefit Policy, Health and Safety Policy and Global Labour Relations principles.

Fair jobs in the group's supply chain

Securing fair and decent jobs for workers in the supply chain has been a core focus of the H&M group's sustainability strategy for over 20 years. Although the H&M group does not own or operate any factories and thus does not set factory wages, for example, the group engages in extensive collaboration with supplier partners and other stakeholders to make sure that people employed in the textile supply chain have fair and decent jobs. The approach has continuously evolved over the years, and while monitoring compliance with the group's standards in suppliers' factories still forms a foundation and informs the work, the company is increasingly focusing on enabling systemic change for the entire industry in collaboration with others as many issues are systemic in nature and require various actors to come together to drive impact and progress. Key focus areas are:

- **Health and safety.** Open dialogue between workers and management is fundamental to securing high safety standards, as is getting workers involved in decision-making.
- **Workplace dialogue.** The H&M group thinks everyone has the right to be heard. Employees who have a voice and can influence their workplace are far more likely to enjoy good working conditions and earn fair wages. The company supports the right to freedom of association and collective bargaining in the supply chain. Our work to make open dialogue and worker representation a reality across the supply chain focuses on three areas: making sure workers are empowered, building industry collaborations and engaging with governments.

– **Compensation and benefits.** Central to the approach to fair jobs is the idea that people working in the supply chain receive equal and fair compensation for equal work. The H&M group's long-term vision is to improve living wages throughout the supply chain, providing enough income to fund the costs of a reasonable standard of living for workers and their families. The group's wage strategy focuses on key enabling factors for improving wages in the company's own supply chain and beyond. These factors are:

- Improving wage management systems at factory level
- Regular reviews and updates of minimum wages
- Enabling collective bargaining
- Industry collaboration
- Ensuring responsible purchasing practises

Access to a fair living wage is a human right, but not yet a global reality. Since 2013 the H&M group's Fair Living Wage Strategy⁴ has guided the company's approach to working towards fair compensation for all textile workers in the supply chain. The strategy set out goals for 2018 which were all exceeded, but there is still more work to do.

The Ethical Trading Initiative (ETI) performed a third-party evaluation of the Fair Living Wage Strategy in 2018 and concluded that this strategy has demonstrated leadership on a difficult issue and that the strategy is strong and can deliver wage growth over time. There have been some lessons learned; one of them is that a deeper understanding is needed of local cultural, economic and legal circumstances that might influence the approach, so the plan is to develop market-specific wage strategies and focus on developing partnerships with relevant national stakeholders. The H&M group is determined to promote a good system for proper wage setting, through collective bargaining agreements and by advocating for sustainable minimum wage setting mechanisms. Going forward the focus will be more on securing the impact and continuity of the factory programmes, increasing collaboration in the industry and ensuring access to accurate data to verify the results. The H&M group will continue to evolve this strategy during 2020, seeking advice and insights from experts in the field to ensure the best possible roadmap for continuing its work to improve wages.

Inclusion and diversity

Making inclusion and diversity a key focus area in the company's social strategy, the H&M group is seeking to ensure everyone's right to equal treatment and lack of discrimination and to leverage the diversity within the company for better business and to advance inclusion and equality. This is manifested and implemented, for example, in the company's Global Policy on Diversity, Inclusiveness and Equality. To advance inclusion and diversity in the H&M group's own operations as well as in the supply chain and the communities the group is present in, a global lead has been appointed and a dedicated task force has been formed to catalyse work within this focus area. During 2019 an updated Inclusion & Diversity Strategy and framework were rolled out, including a set of 2025 ambitions such as improving internal diversity at all levels and engaging to ensure inclusion in the societies of which the company is part. The group's brands are in the process of activating their own strategies based on the group-wide approach.

Social follow-up procedures and results

All suppliers in our supply chain must sign the Sustainability Commitment before any kind of order is placed. This sets out fundamental requirements and aspirational ambitions for the company's suppliers in the areas of healthy workplaces and healthy ecosystems (including such aspects as health and safety, discrimination, diversity and equality, written contracts, fair living wages and benefits, working hours, freedom of association and collec-

tive bargaining, child labour and young workers, as well as forced, bonded, prison and illegal labour). Compliance with the fundamental requirements and performance against aspirational ambitions are followed up regularly through the Sustainable Impact Partnership Programme (SIPP), which is integrated into regular supplier reviews and thereby works to provide better business opportunities for better sustainability performance.

In the group's own operations, internal audits are conducted to assess the implementation of policies. The H&M group also conducts annual employee surveys.

When an incident occurs, the group has a systematic approach to analysing the company's responsibilities under the UNGPs and taking appropriate measures.

ANTI-CORRUPTION

Strategy and policy

Corruption is a risk in many of the markets in which the H&M group and its suppliers operate. Acting ethically, with respect and integrity is an unquestionable rule within the company and is intrinsic to the company's values. The company has a strong anti-corruption programme in place, with a focus on preventing corruption. The H&M group's Code of Ethics outlines the group's expectations of employees and suppliers when conducting business for and on behalf of the H&M group. In the Code of Ethics there is also a zero-tolerance policy towards any form of corruption.

- All employees in contact with business partners must sign the Code of Ethics when employed.
- It is mandatory for all the H&M group's business partners to sign the Code of Ethics.
- The risk of corruption is included in the due diligence process for all new business partners. The company's risk assessments for corruption focus on levels of risk defined by country, industry and position/function.
- Once the level of risk has been ascertained, short- and long-term goals are set to help mitigate the risk. The group maps the biggest risks of corruption in its organisation annually and uses the results to allocate resources in the best way.
- Training is provided for employees and priority business partners.

Anti-corruption follow-up procedures and results

- All violations of the company's Code of Ethics will be addressed and could lead to termination of the business relationship or employment.
- The number of violations of the Code of Ethics is tracked and reported yearly to the CEO, CFO and board of directors as well as externally.
- Internal audits are performed to ensure compliance with the Code of Ethics.
- Business partners and employees can make use of the company's open-door policy, whistleblowing policy and coe@hm.com to report cases.
- In 2019 there were 26 (25)* confirmed incidents of non-compliance that led to contract termination and/or a written warning.

Indicators marked * have been reviewed by the company's auditors.

- 1 <https://www.ipcc.ch/sr15/chapter/chapter-3/>
- 2 <https://hmgp.com/sustainability/fair-and-equal/human-rights.html>
- 3 [issueshttps://hmgp.com/content/dam/hmgp/groupsite/documents/masterlanguage/CSR/Policies/Salient%20Human%20Rights%20Issues.pdf](https://hmgp.com/content/dam/hmgp/groupsite/documents/masterlanguage/CSR/Policies/Salient%20Human%20Rights%20Issues.pdf).
- 4 <https://hmgp.com/sustainability/fair-and-equal/wages.html>

KPI	GOAL	2019	2018	2017
% 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"**	Annual increase	84/82	83/81	n/a
Number of supplier factories implementing improved wage management systems (% of production volume covered)	50% of production volume by 2018	804 (88%)	500 (67%)	227 (40%)
Number of supplier factories that have implemented democratically elected worker representation (% of production volume covered)	50% of production volume by 2018	898 (85%)	594 (73%)	458 (52%)
% of business partners regarding the H&M group as a fair business partner	90% by 2018	96	93	94

** New baseline replacing the previous KPI of % of employees agreeing with the statement "People here are treated fairly regardless of age, ethnicity, gender, sexual orientation, disabilities" since a new engagement survey platform was introduced in 2018.

Group income statement

SEK M 1 DECEMBER - 30 NOVEMBER	2019	2018
Net sales, note 3, 4	232,755	210,400
Cost of goods sold, note 6, 7, 9	-110,302	-99,513
GROSS PROFIT	122,453	110,887
Selling expenses, note 6, 7, 9	-96,279	-87,512
Administrative expenses, note 6, 7, 9, 10	-8,828	-7,882
OPERATING PROFIT	17,346	15,493
Interest income and similar items	376	292
Interest expense and similar items	-331	-146
PROFIT AFTER FINANCIAL ITEMS	17,391	15,639
Tax, note 11	-3,948	-2,987
PROFIT FOR THE YEAR	13,443	12,652
All profit for the year is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.		
Earnings per share, SEK*	8.12	7.64
Number of shares, thousands*	1,655,072	1,655,072

* Before and after dilution.

Consolidated statement of comprehensive income

SEK M 1 DECEMBER - 30 NOVEMBER	2019	2018
PROFIT FOR THE YEAR	13,443	12,652
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss</i>		
Translation differences	1,150	1,895
Change in hedging reserves		
Change in the value of derivatives, note 21	-209	483
Reclassified to profit or loss, note 21	365	52
Tax attributable to change in hedging reserves	-36	-123
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of defined benefit pension plans, note 20	-68	14
Tax related to the above remeasurement	15	-3
OTHER COMPREHENSIVE INCOME	1,217	2,318
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,660	14,970

All comprehensive income is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

COMMENTS ON THE GROUP INCOME STATEMENT

For the 2018/2019 financial year the H&M group's net sales increased by 11 percent to SEK 232,755 m (210,400). In local currencies, sales increased by 6 percent.

Gross profit increased to SEK 122,453 m (110,887). This corresponds to a gross margin of 52.6 percent (52.7).

Markdowns in relation to sales decreased by 0.5 percentage points in the fourth quarter 2019 compared to the corresponding quarter in 2018. The gross profit and gross margin are a result of many different factors, internal as well as external, and are mostly affected by the decisions that H&M takes in line with its strategy to always have the best customer offering in each individual market – based on the combination of fashion, quality, price and sustainability.

For the full year, selling and administrative expenses increased by 10 percent in SEK and by 6 percent in local currencies compared to the same period last year.

Profit after financial items amounted to SEK 17,391 m (15,639). The year's increase in profit means that SEK 86 m has been allocated to the H&M Incentive Program (HIP), which is for all employees.

The H&M group's transformation work is bearing fruit. Improved collections generated better full-price sales and lower markdowns throughout the year in a market that remains very challenging. Despite a high level of activity, the H&M group increased both earnings and profitability during the year.

TAX

The H&M group's effective tax rate for the 2018/2019 financial year was 22.7 (19.1)* percent. The final tax rate for the year depends on the results of the group's various companies, the corporate tax rates in each country and any additional taxes relating to previous years.

* In the previous year tax was affected by a positive one-off effect of SEK 518 m.



TOP TEN SALES MARKETS	2019		2018		CHANGE IN %		30 NOV 2019		2019	
	SEK M NET SALES	SEK M NET SALES	SEK M NET SALES	SEK	LOCAL CURRENCY	NUMBER OF STORES	NEW STORES (NET)			
Germany	33,540	32,367	4	0	4	466	-2			
USA	29,976	24,798	21	11	11	593	15			
UK	14,897	13,760	8	4	4	305	1			
France	12,196	11,311	8	4	4	235	-2			
China	12,059	10,743	12	7	7	520	-10			
Sweden	8,993	8,404	7	7	7	177	2			
Italy	8,401	7,630	10	6	6	181	2			
Spain	7,930	7,373	8	4	4	167	-5			
Russia	6,852	5,737	19	15	15	147	8			
Netherlands	6,813	6,465	5	1	1	138	-6			
Others	91,098	81,812	11	7	7	2,147	105			
Total	232,755	210,400	11	6	6	5,076	108			

Group balance sheet

SEK M 30 NOVEMBER	2019	2018	SEK M 30 NOVEMBER	2019	2018
ASSETS			EQUITY AND LIABILITIES		
NON-CURRENT ASSETS			EQUITY		
Intangible non-current assets			Share capital, note 19	207	207
Leasehold and similar rights, note 12	411	508	Reserves	4,592	3,322
Capitalised expenditure, note 12	10,973	9,046	Retained earnings	52,270	55,017
Goodwill, note 12	64	64	TOTAL EQUITY	57,069	58,546
	11,448	9,618			
Property, plant and equipment			LIABILITIES		
Buildings and land, note 13	813	831	Non-current liabilities		
Equipment, tools, fixture and fittings, note 13	40,079	41,608	Provisions for pensions, note 20	510	445
	40,892	42,439	Deferred tax liabilities, note 11	4,423	5,088
Non-current financial assets			Liabilities to credit institutions, note 24	10,413	10,170
Interests in associates, note 14	210	126	Other interest-bearing liabilities, note 15, 24	234	322
Other shares and interests	429	352		15,580	16,025
	639	478	Current liabilities		
Other non-current assets			Accounts payable	7,838	6,800
Non-current receivables	912	885	Tax liabilities, note 11	2,752	1,163
Deferred tax assets, note 11	4,322	3,794	Liabilities to credit institutions, note 24	6,904	9,153
	5,234	4,679	Other interest-bearing liabilities, note 15, 24	147	136
TOTAL NON-CURRENT ASSETS	58,213	57,214	Other liabilities	4,476	3,800
CURRENT ASSETS			Accrued expenses and prepaid income, note 22	25,719	23,167
Stock-in-trade, note 16	37,823	37,721		47,836	44,219
Current receivables			TOTAL LIABILITIES	63,416	60,244
Accounts receivable, note 21	5,879	6,329	TOTAL EQUITY AND LIABILITIES	120,485	118,790
Tax assets, note 11	1,555	1,448			
Other receivables	1,736	1,607			
Prepaid expenses, note 17	2,967	2,881			
	12,137	12,265			
Cash and cash equivalents, note 18	12,312	11,590			
TOTAL CURRENT ASSETS	62,272	61,576			
TOTAL ASSETS	120,485	118,790			

COMMENTS ON THE GROUP BALANCE SHEET

The H&M group remains in a strong financial position. The group's equity/assets ratio was 47.4 percent (49.3) and the share of risk-bearing capital was 51.0 percent (53.6).

Equity apportioned on the outstanding 1,655,072,000 (1,655,072,000) shares as of 30 November 2019 was SEK 34.48 (35.37).

Stock-in-trade

The composition and the level of the stock-in-trade continues to improve. Adjusted for currency effects the stock-in-trade decreased by 6 percent. However, the book value of the stock-in-trade in SEK is subject to a substantial currency effect due to the weakening of the Swedish krona. Expressed in SEK, therefore, the stock-in-trade increased marginally to SEK 37,823 m (37,721).

The book value of stock-in-trade in SEK represented 16.3 percent (17.9) of sales which amounted to SEK 232,755 m (210,400).

Financing

As of 30 November 2019, the group had SEK 6,909 m (9,153) in loans with a term of up to 12 months, of which SEK 4,330* m (0) in commercial papers, SEK 8,408 m (10,170) in loans with a term of between 12 months and five years, and SEK 2,000 m (0) in loans with a term of over five years.

Loans from within the Nordic countries amounted to SEK 13,836 m (17,886) with an average interest rate of 0.65 percent. Loans in eurozone countries amounted to SEK 3,153 m (1,034) with an average interest rate of 0.21 percent, and loans from credit institutions in the rest of the world amounted to SEK 328 m (403) with an average interest rate of 8.26 percent. The group's strategy is to mainly centralise financing, which is then distributed within the group via loans to subsidiaries. In some of H&M's sales markets local rules and currency restrictions make it more favourable for the group to use local financing.

The strong credit profile of the H&M group enables cost-effective financing. To increase financing flexibility and cost-effectiveness, the group continuously reviews opportunities to supplement this with other sources of funding on the credit market.

Total cash and cash equivalents as well as unutilised committed credit facilities amounted to SEK 24,169 m (18,829) and the average term of loans was 1.9 years (1.6).

STOCK-IN-TRADE

SEK M

▲ +0%



* As previously communicated H & M Hennes & Mauritz AB launched a Swedish commercial paper programme in May 2019.

Group changes in equity

All shareholders' equity is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

SEK M	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2018	207	3,248	74	55,017	58,546
Profit for the year	-	-	-	13,443	13,443
Other comprehensive income					
Translation differences	-	1,150	-	-	1,150
Change in hedging reserves					
Reported in other comprehensive income	-	-	-209	-	-209
Reclassified to profit or loss	-	-	365	-	365
Tax related to hedging reserves	-	-	-36	-	-36
Remeasurement of defined benefit pension plans	-	-	-	-68	-68
Tax related to the above remeasurement	-	-	-	15	15
Other comprehensive income	-	1,150	120	-53	1,217
Total comprehensive income	-	1,150	120	13,390	14,660
Dividend	-	-	-	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2019	207	4,398	194	52,270	57,069

SEK M	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2017	207	1,353	-338	58,491	59,713
Profit for the year	-	-	-	12,652	12,652
Other comprehensive income					
Translation differences	-	1,895	-	-	1,895
Change in hedging reserves					
Reported in other comprehensive income	-	-	483	-	483
Reclassified to profit or loss	-	-	52	-	52
Tax related to hedging reserves	-	-	-123	-	-123
Remeasurement of defined benefit pension plans	-	-	-	14	14
Tax related to the above remeasurement	-	-	-	-3	-3
Other comprehensive income	-	1,895	412	11	2,318
Total comprehensive income	-	1,895	412	12,663	14,970
Dividend	-	-	-	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2018	207	3,248	74	55,017	58,546

Group cash flow statement

SEK M 1 DECEMBER – 30 NOVEMBER	2019	2018
Operating activities		
Profit after financial items*	17,391	15,639
Provisions for pensions	-12	0
Depreciation	11,051	9,671
Tax paid	-3,700	-3,098
Other	23	39
Cash flow from operating activities before changes in working capital	24,753	22,251
Cash flow from changes in working capital		
Current receivables	753	-587
Stock-in-trade	273	-3,489
Current liabilities	3,207	3,112
CASH FLOW FROM OPERATING ACTIVITIES	28,986	21,287
Investing activities		
Investments in leasehold and similar rights	-47	-64
Investments in other intangible assets	-2,909	-3,207
Investments in buildings and land	0	-5
Investments in equipment	-7,384	-9,552
Other investments	-188	-324
CASH FLOW FROM INVESTING ACTIVITIES	-10,528	-13,152
Financing activities		
Short-term loans	-2,249	-592
New loans	243	10,170
Finance lease amortisation	-149	-126
Dividend	-16,137	-16,137
CASH FLOW FROM FINANCING ACTIVITIES, NOTE 24	-18,292	-6,685
CASH FLOW FOR THE YEAR	166	1,450
Cash and cash equivalents at beginning of year	11,590	9,718
Cash flow for the year	166	1,450
Exchange rate effect	556	422
Cash and cash equivalents at year-end, note 18	12,312	11,590

* Interest paid for the group amounts to SEK 308 m (107). Received interest for the group amounts to SEK 376 m (292).

Parent company income statement

SEK M 1 DECEMBER – 30 NOVEMBER	2019	2018
External net sales	31	22
Internal net sales, note 5	4,444	4,262
GROSS PROFIT	4,475	4,284
Administrative expenses, note 6, 7, 9, 10	-157	-156
OPERATING PROFIT	4,318	4,128
Dividend from subsidiaries	15,840	13,793
Interest income and similar items, note 29	55	97
Interest expense and similar items, note 29	-142	-44
PROFIT AFTER FINANCIAL ITEMS	20,071	17,974
Year-end appropriations, note 25	-2,961	-1,164
Tax, note 11	-275	-673
PROFIT FOR THE YEAR	16,835	16,137

Parent company statement of comprehensive income

SEK M 1 DECEMBER – 30 NOVEMBER	2019	2018
PROFIT FOR THE YEAR	16,835	16,137
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of defined benefit pension plans, note 20	-3	-9
Tax related to the above remeasurement	1	2
OTHER COMPREHENSIVE INCOME	-2	-7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16,833	16,130

Parent company balance sheet

SEK M 30 NOVEMBER	2019	2018	SEK M 30 NOVEMBER	2019	2018
ASSETS			EQUITY AND LIABILITIES		
NON-CURRENT ASSETS			EQUITY		
Property, plant and equipment			Restricted equity		
Buildings and land, note 13	139	146	Share capital, note 19	207	207
Equipment, tools, fixture and fittings, note 13	93	143	Restricted reserves	88	88
	232	289		295	295
Non-current financial assets			Non-restricted equity		
Shares and interests, note 26	918	588	Retained earnings	39	46
Receivables from subsidiaries	796	842	Profit for the year	16,833	16,130
Other non-current receivables	117	115		16,872	16,176
Deferred tax assets, note 11	82	76			
	1,913	1,621	TOTAL EQUITY	17,167	16,471
TOTAL NON-CURRENT ASSETS	2,145	1,910	UNTAXED RESERVES, NOTE 27	57	96
CURRENT ASSETS			LIABILITIES		
Current receivables			Non-current liabilities		
Accounts receivable	8	6	Provisions for pensions, note 20	176	181
Receivables from subsidiaries	30,992	30,104	Liabilities to credit institutions, note 24	10,266	9,113
Tax assets	421	-		10,442	9,294
Other receivables	-	2	Current liabilities		
Prepaid expenses, note 17	21	121	Accounts payable	5	1
	31,442	30,233	Tax liabilities	-	21
Cash and cash equivalents, note 18	2	93	Liabilities to credit institutions, note 24	5,530	6,000
TOTAL CURRENT ASSETS	31,444	30,326	Other liabilities	202	200
TOTAL ASSETS	33,589	32,236	Accrued expenses and prepaid income, note 22	186	153
				5,923	6,375
			TOTAL LIABILITIES	16,365	15,669
			TOTAL EQUITY AND LIABILITIES	33,589	32,236

Parent company changes in equity

SEK M	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2018	207	88	16,176	16,471
Profit for the year	-	-	16,835	16,835
Other comprehensive income				
Remeasurement of defined benefit pension plans	-	-	-3	-3
Tax related to the above remeasurement	-	-	1	1
Other comprehensive income	-	-	-2	-2
Total comprehensive income	-	-	16,833	16,833
Dividend	-	-	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2019	207	88	16,872	17,167

SEK M	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2017	207	88	16,183	16,478
Profit for the year	-	-	16,137	16,137
Other comprehensive income				
Remeasurement of defined benefit pension plans	-	-	-9	-9
Tax related to the above remeasurement	-	-	2	2
Other comprehensive income	-	-	-7	-7
Total comprehensive income	-	-	16,130	16,130
Dividend	-	-	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2018	207	88	16,176	16,471

Parent company cash flow statement

SEK M 1 DECEMBER - 30 NOVEMBER	2019	2018
Operating activities		
Profit after financial items*	20,071	17,974
Provisions for pensions	-8	-1
Depreciation	63	83
Taxes paid	-722	-691
Cash flow from operating activities before changes in working capital	19,404	17,365
Cash flow from changes in working capital		
Current receivables	-788	-10,921
Current liabilities	-2,961	-1,457
CASH FLOW FROM OPERATING ACTIVITIES	15,655	4,987
Investing activities		
Investments in buildings and land	0	-5
Net investments in equipment	-6	-
Net investments in group companies	-330	-
Other investments	44	2
CASH FLOW FROM INVESTING ACTIVITIES	-292	-3
Financing activities		
Short-term loans	-470	2,000
Long-term loans	1,153	9,113
Dividend	-16,137	-16,137
CASH FLOW FROM FINANCING ACTIVITIES	-15,454	-5,024
CASH FLOW FOR THE YEAR	-91	-40
Cash and cash equivalents at beginning of year	93	133
Cash flow for the year	-91	-40
Cash and cash equivalents at year-end, note 18	2	93

* Interest paid for the parent company amounts to SEK 142 m (44). Received interest for the parent company amounts to SEK 18 m (19), note 29.

Notes to the financial statements

CORPORATE INFORMATION

The parent company H & M Hennes & Mauritz AB (publ) is a limited company domiciled in Stockholm, Sweden. The parent company's corporate identity number is 556042-7220. The company's shares are listed on the Stockholm stock exchange, Nasdaq Stockholm. The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. The company's financial year runs from 1 December to 30 November. The annual report was approved for publication by the board of directors on 18 February 2020 and will be submitted to the annual general meeting for approval on 7 May 2020.

Ramsbury Invest AB's holding of shares in H & M Hennes & Mauritz AB represents 45.7 percent of all shares and 73.6 percent of the total voting power. Ramsbury Invest AB (556423-5769) is thus formally the parent company of H & M Hennes & Mauritz AB.

1. ACCOUNTING PRINCIPLES

Basis for preparation of the accounts

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations provided by the IFRS Interpretations Committee. Since the parent company is a company within the EU, only IFRS approved by the EU are applied. The consolidated accounts also contain disclosures in accordance with the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

The financial statements are based on historical acquisition costs, apart from certain financial instruments which are reported at fair value.

The parent company's functional currency is Swedish kronor, which is also the reporting currency for the parent company and for the group. Unless otherwise indicated, all amounts are reported in millions of Swedish kronor (SEK m).

Where relevant, accounting principles are described within each note.

Parent company

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, which essentially means that IFRS is applied. In accordance with RFR 2, the parent company does not apply IFRS 9 to the measurement of financial instruments and does not capitalise development costs. Due to the link between reporting and taxation, year-end appropriations and untaxed reserves are reported in the parent company's financial statements.

Group contributions that the parent company receives from subsidiaries and provides to subsidiaries are reported under appropriations.

Changes in accounting principles and disclosure requirements

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual report and consolidated financial statements for 2018 and which are described in Note 1 - Accounting principles, other than in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

- IFRS 9 Financial instruments. In H&M's case this standard has been applied since 1 December 2018, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard is divided into three parts: classification and measurement, hedge accounting and impairment.

IFRS 9 requires financial assets to be classified in three different measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The asset is classified upon initial recognition, based on the characteristics of the asset and the company's business model. In the case of financial liabilities there are no significant changes compared to IAS 39.

Finally, new principles have been introduced regarding impairment of financial assets using a model based on expected losses. One of the

aims of the new model is that provision for credit losses will be made at an earlier stage. For the H&M group, the measurement of doubtful receivables is not affected to any significant degree. Overall, the introduction of IFRS 9 has not required any significant changes to the consolidated accounts.

- IFRS 15 Revenue from Contracts with Customers. In H&M's case this standard has been applied since 1 December 2018 and replaces all previously issued standards and interpretations dealing with revenue (i.e. IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue: Barter Transactions Involving Advertising Services).

IFRS 15 contains an overall model for reporting revenue arising from contracts with customers. The idea is that everything starts with an agreement between two parties concerning the sale of a good or service. Initially a customer agreement is to be identified, which generates an asset (rights, a promise that compensation will be received) and a liability (commitments, a promise to deliver goods/services) for the seller. The company then reports a revenue item and thereby demonstrates that the company is meeting a commitment to deliver promised goods or services to the customer. The group's income statement has not been significantly affected by the introduction of IFRS 15. The only exception is that the group reports provisions for expected returns gross. The group has elected to use a prospective method of transition and consequently comparative figures have not been restated.

Other than the abovementioned adjustments for IFRS 9 and IFRS 15, H & M Hennes & Mauritz AB continues to report financial instruments consisting of accounts receivable, other receivables, cash and cash equivalents, accounts payable, accrued trade payables, interest-bearing securities and currency derivatives. Currency derivatives are measured at fair value based on Level 2 inputs in the IFRS 13 hierarchy. As of 30 November 2019, forward contracts with a positive market value amount to SEK 771 m (419), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 568 m (311), which is reported under other current liabilities. Other financial assets and liabilities have short terms. The fair values of these financial instruments are assessed to be approximately equal to their book values.

Future accounting principles and disclosure requirements

A number of new standards, revisions and interpretations of existing standards have been published but have not yet entered into force. Of these, only the standards below are expected to have any effect on the consolidated financial statements.

- IFRS 16 Leases – this standard applies to H&M with effect from the financial year beginning on 1 December 2019 and supersedes IAS 17 Leases and its associated interpretations. Under the earlier standard lessees classified leases as either finance leases or operating leases, which were reported differently. For operating leases, the lessee's assets and liabilities under the lease were not recognised in the balance sheet.

The new standard requires lessees to recognise assets and liabilities in the balance sheet attributable to all leases, with the possibility of excluding leases with a term of less than 12 months and/or leases relating to assets with a low value. The commitment to make the lease payments is recognised in the balance sheet as a lease liability discounted by an interest rate for borrowing, while the right to use the underlying asset during the lease term is recognised as a right-of-use asset. The asset is depreciated over the period of use, with the depreciation recognised in the income statement along with interest on the lease liability. H&M has decided to apply the option to exclude leases of low value and leases with a term of less than 12 months. These will therefore not be included in the lease liability but instead will continue to be reported as rental costs, expensed on a straight line basis over the term of the lease.

Preparations were made by the H&M group in 2019 for the introduction of IFRS 16. This involved assessing the group's leases to determine whether they constitute a service or a lease. Under IFRS 16, a lease is an agreement that controls the right to use an identifiable asset during a given period against payment. The group's review shows that the majority of the contracts that H&M classifies as leases in accordance with IFRS 16 are leases for store premises where H&M runs its own operations. Offices and warehouses used by the group are also classified as leases. Variable lease payments, such as sales-based rent, are not included in the lease liability.

The H&M group has more than 5,000 stores as well as multiple offices and warehouses all around the world. Applying the standard has required estimates and assumptions, such as establishing the term of the lease and an interest rate for borrowing. The assumption with the greatest effect on the size of the lease liability is the assessment of the lease term. At the end of a lease term the lease may be terminated entirely, renegotiated or extended depending on the provisions in the contract. In certain circumstances, a right to terminate the contract during the lease term may reduce the lease term used for the calculation. The option to extend must be taken into account if it is reasonably certain that the lessee will exercise this option. To facilitate assessment of the lease term used to calculate the lease obligation according to IFRS 16, the assumptions are based on the type of contract. The assumptions used to establish the lease term for each type of contract are based on the best possible assessment and on historical data, as well as the current market situation. The group's assumptions will be evaluated on an ongoing basis taking into account changes in the industry. The discount rate used for the calculation corresponds to the H&M group's marginal interest rate for borrowing at the time of transition, taking into account aspects such as country and length of the respective leases.

IFRS 16 offers alternative rules for transition. In the full retrospective approach, information is restated for each reporting period; in the modified retrospective approach, the cumulative effect of initially applying the standard is recognised at the date of initial application. The H&M group has chosen to apply the simplified transition approach, whereby calculation of the liability at the time of transition to IFRS 16 is based on the remaining lease payments for the leased asset and is reported as an adjustment of the opening balance. As of 1 December 2019 the H&M group's remaining payments for all leases were therefore included as a lease liability. As of the transition date right-of-use assets are recognised at the same value as the present value of the lease liability. The transition approach chosen involves prospective application of IFRS 16.

The H&M group's calculation as of 1 December 2019 indicates an opening balance of SEK 73 billion in right-of-use assets and SEK 77 billion in lease liabilities according to IFRS 16. The difference consists primarily of contributions from lessors. The calculation was based on agreements in place at the time.

The introduction of IFRS 16 will have significant effects on future financial statements. The introduction of IFRS 16 will also increase operating profit, since a portion of the lease expenses will instead be recognised as interest expense. Interest expense will therefore increase. The expected cash flow effect is an increase in cash flow from operating activities, while cash flow from financing activities decreases by a corresponding amount because the repayment portion of the lease payments is reported as an outgoing payment in financing activities. Indicators for the group will be affected by the introduction of IFRS 16 and accordingly, H&M will initially recognise selected indicators both with and without the effects of IFRS 16.

Future minimum lease payments relating to non-cancellable leases amounted to SEK 71 billion as at 30 November 2019. The difference between this amount and the opening lease liability as at 1 December 2019 consists mainly of assumptions concerning lease terms, discount-

ing effects, leases with a term of less than 12 months and leases where the underlying asset has a low value. For information on operating leases see Note 15.

The parent company will apply the exception in RFR 2, which means that the principles of IFRS 16 will not be applied in the legal entity.

- IFRIC 23 Uncertainty over Income Tax Treatments. This standard is being applied with effect from the financial year beginning on 1 December 2019 and is an interpretation explaining how the requirements concerning recognition and measurement in IAS 12 are to be applied when there is uncertainty regarding how items are treated for income tax purposes. The standard clarifies accounting and measurement when there is uncertainty over income tax treatments. The H&M group does not expect this to lead to any significant changes in the consolidated financial statements.

Estimates, assumptions and assessments

The preparation of the annual report and consolidated accounts requires estimates and assumptions to be made, as well as judgments in the application of the accounting principles. These affect carrying amounts for assets, liabilities, income, expenses and supplementary information. The estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. The actual outcome may therefore deviate from the estimates and assumptions made. The sources of uncertainty that have been identified by H&M are the measurement of stock-in-trade and the measurement of current and deferred tax; see note 11 and note 16.

It is judged that, as of 30 November 2019, there are no estimates or assumptions in the financial statements that involve a significant risk of any material adjustment to the values of assets and liabilities in the forthcoming financial year, other than those mentioned above.

Consolidated accounts

Basis of consolidation

The consolidated accounts cover the parent company and its subsidiaries, and have been prepared according to the acquisition method. The financial reports for the parent company and the subsidiaries included in the consolidated accounts cover the same period and have been prepared in accordance with the accounting principles that apply to the group. Intra-group income, expenses, receivables and liabilities, as well as unrealised gains and losses, are eliminated entirely in the preparation of the consolidated accounts. All companies in which the group owns or controls more than 50 percent of the votes and in which the group alone has a controlling interest through an agreement or otherwise, are consolidated as subsidiaries. Subsidiaries are included in the consolidated accounts from the date of acquisition, which is the date on which the parent company gains a controlling interest, and are included in the consolidated accounts until such date as the controlling interest ends.

Associates

All companies in which the group has a significant but not a controlling interest – generally companies where the group holds 20 to 50 percent of the votes – are regarded as associates and reported according to the equity method.

Business combinations

In business combinations acquired assets and liabilities are identified and classified, and these are then measured at fair value on the acquisition date. If the acquisition cost of the subsidiary's shares exceeds the calculated value of the net identifiable assets of the acquired company at the time of acquisition, the difference is reported as goodwill upon consolidation. If the acquisition cost is less than the finally established value of the net identifiable assets, the difference is reported directly in the income statement. Non-controlling interests of less than 100 percent

are determined for each transaction either as a proportionate share of the fair value of net identifiable assets or at fair value. Transaction costs associated with acquisitions are not included in the acquisition cost; instead these are expensed immediately.

Translation of foreign subsidiaries

The companies making up the group present their financial reports in the currency used in the economic environment in which the company concerned mainly operates, known as the functional currency. These reports form the basis of the consolidated accounts. The consolidated accounts are presented in Swedish kronor, which is the parent company's functional currency and reporting currency. Assets and liabilities in foreign subsidiaries are translated at the exchange rate on the closing date, while the income statement is translated at the average exchange rate for the financial year. The translation difference arising from this, and also as a result of the fact that the net investment is translated at a different exchange rate at the end of the financial year than at the beginning of the financial year, is posted directly to equity as a translation reserve, via the statement of comprehensive income. On disposal of a foreign business the accumulated translation differences in the income statement are posted together with the profit or loss on disposal.

Foreign currency

Monetary assets and liabilities in foreign currencies are converted at the exchange rate on the closing date. Exchange rate differences arising on translation are reported in the income statement with the exception of exchange rate differences in respect of intra-group loans, which are to be regarded as net investment in a foreign business. Exchange rate differences of this type are posted to equity as translation differences via the statement of comprehensive income. Exchange rate differences relating to loans in foreign currency taken out to hedge net investments in foreign operations are also recognised in other comprehensive income.

Interest income

Interest income is recognised as it is earned.

Other provisions

Provisions are reported in the balance sheet when there is an undertaking as a result of an event occurring and it is likely that an outflow of resources will be required for the undertaking and the amount can be reliably estimated.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The reported cash flow covers only transactions involving payments in or out.

2. FINANCIAL RISKS

The group's financing and management of financial risk is carried out centrally within the group's financial department in accordance with a financial policy established by the board of directors. The financial policy is the most important financial control tool for the company's financial activities and establishes the framework within which the company acts. The group's accounting principles for financial instruments, including derivatives, are described in note 21.

In the course of doing business the group is exposed to risk associated with financial instruments, such as cash and cash equivalents, short-term investments, accounts receivable, accounts payable and loans. The group also executes transactions involving currency derivatives for the purpose of managing currency risk that arises in the course of the group's business.

The risks relating to these instruments are primarily the following:

- interest rate risk associated with liabilities to credit institutions, cash and cash equivalents and short-term investments;

- currency risk associated with flows and with financial assets in foreign currencies;
- credit risk and counterparty risk associated with financial assets and derivative positions;
- liquidity risk and financing risk relating to liquidity and cash flow as well as financing and refinancing of the group's capital requirements.

Interest rate risk

Interest risk is the risk that earnings or the fair value of assets and liabilities will be adversely affected by changes in interest rates. The group's exposure to risk from changes in interest rates relates to cash and cash equivalents, short-term investments and liabilities to credit institutions and for finance leases. The original term of the investments is up to three months as of the closing date. The financial policy permits investments of up to two years. The group's cash and cash equivalents and short-term investments as of the closing date amounted to SEK 12,312 m (11,590). As of the closing date, loans and finance leases amounted to SEK 17,697 m (19,781). An interest rate increase of 1 percentage point on these amounts would increase interest income from cash and cash equivalents and short-term investments by SEK 123 m (116), and would increase interest expense for external borrowing and finance leases by SEK 108 m (198). A corresponding decrease in the interest rate would reduce interest income by the same amount and would decrease interest expense related to liabilities to credit institutions and for finance leases.

Currency risk

There is a risk that fluctuations in exchange rates will have an adverse effect on the company's financial position, profitability and cash flow. H&M is affected by fluctuations in exchange rates via transaction exposure and translation exposure. Transaction exposure arises when sales and purchases are made in currencies other than the company's reporting currency. Translation exposure arises when subsidiaries' results, assets, liabilities and equity are translated into SEK, the group's reporting currency.

Currency exposure associated with financial instruments

H&M's currency risk associated with financial instruments is mainly related to financial investments, accounts payable and derivatives. The group's accounts payable in foreign currencies are mainly handled in Sweden and are largely hedged through forward contracts. Based on this, a change in the value of the Swedish krona of 2 percent in relation to other currencies would have an insignificant momentary effect on profit related to financial instrument holdings as of the closing date. A 2 percent strengthening of the Swedish krona would have a positive effect on the hedge reserve in equity of around SEK 269 m (486) before taking into account the tax effect, of which SEK 252 m (371) relates to EUR and SEK -220 m (-229) to USD. The group's exposure to outstanding derivative instruments is reported in note 21.

The group's operating result for the year was affected by net exchange rate differences relating to flows of goods in the amount of SEK -33 m (582).

Transaction exposure associated with commercial flows

Payment flows in the form of payments in foreign currencies for accounts receivable and payable expose the group to currency risk. To manage currency risk relating to changes in exchange rates, the group hedges its currency risk within the framework of the financial policy. Currency risk exposure is dealt with at a central level. A large share of the group's sales are made in euros, while the group's most significant purchase currencies are the US dollar and the euro. Fluctuation in the US dollar/euro exchange rate is the single largest transaction exposure within the group. To hedge the flows of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuations, the group's purchases of goods and the bulk of corresponding forecast inflows from the sales companies are fully hedged under forward contracts on an ongoing basis. The average term of outstanding forward contracts is around three months.

Translation exposure on consolidation of units outside Sweden

In addition to the effects of transaction exposure, profits are also affected by translation effects as a result of changes in exchange rates for the local currencies of the various foreign subsidiaries against the Swedish krona, compared to the same period the previous year. The underlying profit/loss in a market may be unchanged in the local currency, but when converted into SEK may increase if the Swedish krona has weakened or decrease if the Swedish krona has strengthened. Translation effects also affect the group's net assets on consolidation of the foreign subsidiaries' balance sheets (translation exposure in the balance sheet). Where the remeasurement of balance sheet items affects the group's income statement, such as in the case of intra-group liabilities and short-term intra-group receivables, these are to be fully hedged. Net investment in foreign currency may be hedged in full or in part through a liability in the same currency, known as an equity hedge. As of 30 November 2019 certain portions of net investments are hedged in this way.

Credit risk and counterparty risk

Credit risk is the risk that H&M's counterparties will be unable to meet their commitments and thus cause losses for the H&M group. Financial credit risk arises primarily as counterparty risk in the form of investments or cash and cash receivables in the bank accounts, and also as receivables from banks attributable to surplus value in derivatives. The financial policy states maximum amounts and terms for investments and for cash and cash equivalents in bank accounts with different ratings. Credit exposure as of 30 November 2019, corresponding to the book value for cash and cash equivalents of SEK 12,312 m (11,590), accounts receivable of SEK 5,879 m (6,329) and other SEK 2,212 m (1,735), totalled SEK 20,403 m (19,654). Accounts receivable are divided between a large number of customers with low amounts per customer. The average debt was around SEK 2,747 (2,801). Bad debts during the year from accounts receivable were insignificant.

Liquidity risk and financing risk

Liquidity risk refers to the risk that the H&M group will be unable to meet its payment commitments due to a lack of liquidity. Financing risk refers to the risk that the financing of the group's capital requirements and the refinancing of outstanding loans becomes more difficult or more expensive.

The strategy for the H&M group's liquidity planning and financing is to maintain good payment capacity and to identify and cover liquidity needs arising in the group. Liquidity and financing risks are regulated in the H&M group's financial policy, which states that loans are to have an evenly distributed maturity structure and that cash and unused credit facilities are to cover the company's forecast short-term liquidity needs.

As of 30 November 2019, the group had SEK 6,909 m (9,153) in loans with a term of up to 12 months, of which SEK 4,330* m (0) in commercial papers, SEK 8,408 m (10,170) in loans with a term of between 12 months and five years, and SEK 2,000 m (0) in loans with a term of over five years. At the closing date, cash and cash equivalents amounted to SEK 12,312 m (11,590). In the first quarter of 2017 the group obtained a revolving credit facility (RCF) of EUR 700 m which matures in 2024 and has not been drawn down. In addition to this credit facility, the group has a further credit facility of SEK 5,000 m maturing in 2021, of which SEK 4,500 m has not been drawn down. Cash and cash equivalents plus undrawn credit facilities totalled SEK 24,169 m (18,829).

* As previously communicated H & M Hennes & Mauritz AB launched a Swedish commercial paper programme in May 2019.

3. SEGMENT REPORTING

The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. Internal follow-up is carried out on a country-by-country basis by the CEO, who is the group's chief operating decision maker. Each country is thus

Cont. Note 3, Segment reporting

an operating segment. The various countries sell similar products via similar sales channels to similar customers, however. Goods purchasing is carried out collectively for the group. Some countries have similar economic characteristics, such as long-term economic results. In view of this, the countries may be combined in segment reporting in accordance with IFRS 8. H&M has combined countries to form the segments Asia & Oceania, Europe & Africa, and North & South America. The parent company and subsidiaries with no external sales are reported in a separate Group Functions segment. The same accounting principles are applied to segment reporting as in the consolidated accounts. Transactions between segments take place on normal commercial terms.

	2019	2018
Asia and Oceania		
External net sales	35,646	31,902
Operating profit	1,114	735
Operating margin, %	3.1	2.3
Assets excluding tax assets and internal receivables	16,116	16,102
Liabilities excluding tax liabilities and internal liabilities	2,938	2,400
Investments	817	1,047
Depreciation	1,781	1,667
Europe and Africa**		
External net sales	154,555	143,480
Operating profit	5,090	4,787
Operating margin, %	3.3	3.3
Assets excluding tax assets and internal receivables	47,536	47,571
Liabilities excluding tax liabilities and internal liabilities	17,069	15,952
Investments	3,573	4,378
Depreciation	4,642	4,528
North and South America		
External net sales	42,554	35,018
Operating profit	1,186	946
Operating margin, %	2.8	2.7
Assets excluding tax assets and internal receivables	20,322	19,863
Liabilities excluding tax liabilities and internal liabilities	8,589	7,909
Investments	2,057	2,915
Depreciation	2,923	2,437
Group Functions		
Net sales to other segments	82,898	67,795
Operating profit	9,956	9,025
Operating margin, %	12.0	13.3
Assets excluding tax assets and internal receivables	30,633	30,012
Liabilities excluding tax liabilities and internal liabilities	27,644	27,732
Investments	3,943	4,557
Depreciation	1,705	1,039
Eliminations		
Net sales to other segments	-82,898	-67,795
Total		
External net sales	232,755	210,400
Operating profit	17,346	15,493
Operating margin, %	7.5	7.4
Assets excluding tax assets and internal receivables	114,607	113,548
Liabilities excluding tax liabilities and internal liabilities	56,240	53,993
Investments	10,390	12,897
Depreciation	11,051	9,671

** South Africa

Operating profit for each segment is based on how H&M tracks results internally within the group and may deviate from the fiscal result in each market.

The group's property, plant and equipment amounted to SEK 40,892 m (42,439) as of 30 November 2019. The property, plant and equipment are largely distributed between the countries in accordance with each country's level of sales. In Sweden property, plant and equipment amounted to SEK 2,758 m (2,694) as of 30 November 2019.

4. NET SALES BY MARKET

The group's income is generated mainly by the sale of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. Sales revenues are reported as net sales in the income statement, i.e. sales revenue less value-added tax, returns and discounts. Revenue from store and online sales is reported in conjunction with sale/delivery to the customer and is based on the country in which the customer lives. All revenue is recognised in accordance with the IFRS 15 category "at a point in time", i.e. on delivery. Franchise sales have two components: sales of goods to franchisees, which are reported on delivery of the goods, and franchise fees, which are reported when the franchisee sells goods to the consumer.

Reporting of the H&M loyalty programme follows the principles in IFRS 15. Points earned that have not been used are reported as a liability as well as a reduction in revenue in order to meet the future cost that will arise for the points issued. The liability is based on the fair value calculated per outstanding point.

The group's income exhibits seasonal variations. The first quarter of the financial year is normally the weakest and the last quarter the strongest.

	2019	No. of stores 30 Nov. 2019	2018	No. of stores 30 Nov. 2018
Sweden	8,993	177	8,404	175
Norway	5,085	127	4,964	130
Denmark	5,157	112	5,045	113
UK	14,897	305	13,760	304
Switzerland	5,676	99	5,145	100
Germany	33,540	466	32,367	468
Netherlands	6,813	138	6,465	144
Belgium	4,214	98	3,815	96
Austria	5,302	87	4,901	88
Luxembourg	490	15	406	10
Finland	2,530	68	2,412	67
France	12,196	235	11,311	237
USA	29,976	593	24,798	578
Spain	7,930	167	7,373	172
Poland	6,336	190	5,285	186
Czech Republic	1,789	52	1,610	52
Portugal	1,309	29	1,179	32
Italy	8,401	181	7,630	179
Canada	5,094	95	4,569	94
Slovenia	505	12	488	12
Ireland	1,181	24	1,104	24
Hungary	1,903	47	1,646	47
Slovakia	813	27	750	25
Greece	1,869	35	1,718	35
China	12,059	520	10,743	530
Hong Kong	1,448	26	1,502	26
Japan	4,987	105	4,573	91
Russia	6,852	147	5,737	139
South Korea	2,213	53	1,957	46
Turkey	2,797	66	2,852	68
Romania	2,642	57	2,299	56
Croatia	779	16	719	16
Singapore	822	14	801	12
Bulgaria	672	21	635	21
Latvia	365	9	356	8
Malaysia	1,360	47	1,177	47

Cont. Note 4, Net sales by market

	2019	No. of stores 30 Nov. 2019	2018	No. of stores 30 Nov. 2018
Mexico	3,685	52	2,854	45
Chile	1,834	15	1,488	13
Lithuania	397	10	351	9
Serbia	459	14	423	13
Estonia	406	13	381	12
Australia	2,539	49	2,283	44
Philippines	1,273	40	1,007	34
Taiwan	650	12	627	12
Peru	970	13	763	11
Macau	125	2	120	2
India	2,007	47	1,408	39
South Africa	937	27	842	23
Puerto Rico	122	2	80	2
Cyprus	87	1	79	1
New Zealand	401	8	284	4
Kazakhstan	221	6	203	3
Colombia	528	7	405	4
Iceland	251	6	192	3
Vietnam	434	8	271	6
Georgia	120	3	102	2
Ukraine	224	3	57	2
Uruguay	332	3	64	1
Bosnia-Herzegovina	32	1	-	-
Belarus	15	2	-	-
Franchise	5,711	272	5,620	255
Total	232,755	5,076	210,400	4,968

5. REVENUE FROM GROUP COMPANIES

The parent company's internal sales consist of royalties of SEK 4,364 m (4,169) and other income of SEK 80 m (93) from group companies.

6. COSTS BY TYPE

Costs for the group are allocated to three functions: cost of goods sold, selling expenses and administrative expenses. The cost of goods sold includes all costs of designing, producing and transporting the goods to distribution centres. Examples of costs included in this, other than the pure sourcing cost of the products, are shipping, customs duties, environmental levies, payroll and the cost of premises for the buying department, IT costs related to buying and logistics as well as handling costs in the distribution centres and shipping costs from warehouses to stores. Selling expenses include store expenses such as salaries and rents, marketing costs, handling costs in replenishment centres for stores, shipping costs to online customers, IT costs related to stores and sales, as well as central support functions related to sales. The item administrative expenses includes the costs of other central support functions, such as salaries, rents and IT costs for administrative systems.

For information on payroll see note 7 and for depreciation see note 9.

7. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

2019	Board, CEO, executive management team, salary	Salary, other employees	Social sec. costs total	of which pens. total	of which pens. board, CEO, executive management
Sweden, parent company	20	-	18	11	11
Subsidiaries	52	34,114	8,198	718	20
Group total	72	34,114	8,215	729	32

2018	Board, CEO, executive management team, salary	Salary, other employees	Social sec. costs total	of which pens. total	of which pens. board, CEO, executive management
Sweden, parent company	20	-	23	17	17
Subsidiaries	45	31,045	7,467	692	19
Group total	65	31,045	7,490	709	36

Board fees

Board fees paid for the year as approved by the 2018 annual general meeting (AGM) amounted to SEK 5,890,000 (5,775,000). Board fees were paid as follows:

	SEK
Stefan Persson, chairman	1,700,000
Stina Bergfors	615,000
Anders Dahlvig	765,000
Lena Patriksson Keller	615,000
Christian Sievert	815,000
Erica Wiking Häger	765,000
Niklas Zennström	615,000

The fees were paid as resolved at the 2018 AGM. This means that the fees related to the period until the next AGM was held, i.e. the period 8 May 2018 to 7 May 2019. The amounts were paid out after the 2019 AGM.

As of the AGM on 7 May 2019 the board consists of eight ordinary members elected by the AGM. There are also two employee representatives, with two deputies for these positions. Eight members of the board are women, four are men, and four of the 12 are employed by the company.

Board member Lena Patriksson Keller is the majority shareholder in Patriksson Communication AB, which had business dealings with H&M during the year. The transactions took place on market terms and remuneration for 2019 amounted to SEK 6.0 m (5.9). Outstanding balances as of 30 November 2019 totalled SEK 0.8 m (0.1). Erica Wiking Häger is a partner at the law firm Mannheimer Swartling, which had business dealings with H&M during the year. The transactions took place on market terms and remuneration for 2019 amounted to SEK 4.5 m (0.6). Outstanding balances as of 30 November 2019 totalled SEK 0.0 m (0.1).

Remuneration of senior executives

Remuneration of senior executives is based on resolutions on guidelines adopted annually by the AGM; see the administration report on pages 42–43.

Remuneration of the chief executive officer

Remuneration paid to the CEO for the 2019 financial year in the form of salary and benefits amounted to SEK 13.8 m (13.8), which included variable remuneration of SEK 0 m (0). Pension benefits for the CEO are covered by a defined contribution plan and by the ITP plan. The combined pension expenses shall amount in total to 30 percent of the CEO's fixed salary. Pension expenses amounted to SEK 4.2 m (4.2). The retirement age for the CEO is 65.

Cont. Note 7, Salaries, other remuneration and social security costs

The CEO is entitled to a 12-month period of notice. In the event that the company cancels the CEO's employment contract, the CEO will also receive severance pay of an extra year's salary. The CEO's terms of employment are determined by the board of directors.

The CEO is not included in the long-term variable remuneration, i.e. what was previously referred to as supplementary guidelines; see the administration report on pages 42–43.

Pension for the former CEO

The former CEO retired on 1 September 2009. The total pension commitments recognised as liabilities, based on the fact that the former CEO receives a pension for the first three years of his retirement equivalent to 65 percent of his fixed salary followed by a lifelong pension equivalent to 50 percent of the same salary, amount to SEK 140.3 m (145.8). The change in the year's pension commitments recognised as liabilities includes actuarial gains of SEK 2.1 m (actuarial losses of SEK 9.5 m). Pension costs for the former CEO are included under "of which pensions to board, CEO, executive management".

Remuneration of the executive management team

In addition to the CEO, as of 30 November 2019 the executive management comprised nine (nine) individuals, six of whom are women. The executive management team consists of the CFO, COO and the individuals responsible for the following group-wide functions: sustainability, communications, human resources and business development, as well as the two individuals responsible for the H&M including H&M HOME brand and the person responsible for new business.

Remuneration paid to members of the executive management team, other than the CEO, in the form of salary and benefits amounted to SEK 52.2 m (45.4), which included variable remuneration of SEK 0 m (0). In addition to this, an estimated expense of SEK 15 m (30) has been recognised in respect of remuneration that certain senior executives may receive in accordance with the long-term variable remuneration programme, i.e. what was previously referred to as supplementary guidelines for senior executives; see further description in the administration report on pages 42–43. This was paid out in 2019, in accordance with the guidelines approved at the 2014 AGM. Pension expenses relating to the executive management team during the year amounted to SEK 20.4 m (18.5). There are rules in place for members of the executive management team with respect to supplements to retirement pension beyond the ITP plan. The retirement age varies between 62 and 65. The cost of this commitment is partially covered by separate insurance policies.

H&M Incentive Program (HIP)

An extraordinary general meeting held on 20 October 2010 resolved to introduce an incentive programme for all employees of the H&M group.

The programme was initiated by Stefan Persson and family through the donation of 4,040,404 H&M shares worth around SEK 1 billion to a Swedish foundation, Stiftelsen H&M Incentive Program.

All employees of the H&M group, regardless of their position and salary level, are included in the programme according to the same basic principle – based on length of employment, either full-time or part-time. The number of years that the employee has worked for the company previously is taken into account in the qualification period, which is five years unless local rules require otherwise. As a general rule, funds will begin to be paid out no earlier than the age of 62. However, it will also be possible for payments to be made after ten years of employment – but no earlier than 2021.

The 2013 annual general meeting resolved to change the basis of future contributions to HIP. The contribution is no longer linked to the increase in dividend; instead, contributions to HIP are based on 10 percent of the

Cont. Note 7, Salaries, other remuneration and social security costs

increase in the company's profit after tax between two consecutive financial years. The increase in profit is calculated on profit after tax before any contribution to HIP. Thus when calculating the contribution to HIP for year 2, the year's profit after tax is compared with year 1's profit after tax before any contribution to HIP. This ensures that the two years are compared on a like-for-like basis; in other words, profit after tax before any contribution to HIP. The first contribution to HIP based on an increase in profit was made for the financial year which ended on 30 November 2013.

The contribution to HIP for a financial year is expensed in the year to which it relates. For example, if profit after tax in year 1 is 100 and profit after tax in year 2 is 130, then the contribution is 3 and will be expensed in year 2.

There is a ceiling that limits the size of the contribution when the increase in profit between two years may be deemed disproportionately large. The ceiling has been set at 2 percent of profit for the year after tax before any contribution to HIP.

The contributions to the foundation are to be invested in H&M shares. H&M has no other commitments beyond this.

In the consolidated accounts the costs of the incentive programme are recognised in accordance with the rules on short-term profit-sharing and bonus schemes set out in IAS 19. The expense will be recognised when the amount has been established and an obligation exists.

For 2019 a contribution of SEK 86 m (0) was made to the incentive programme, based on the principle for contributions to HIP that was adopted at the 2013 AGM and is described above. The cost of this contribution was recognised in the fourth quarter of 2019.

8. AVERAGE NUMBER OF EMPLOYEES

	2019 Total	2019 Male %	2018 Total	2018 Male %
Sweden	11,221	23	10,839	24
Norway	1,839	10	1,815	10
Denmark	1,919	9	1,864	10
UK	8,724	29	8,128	22
Switzerland	1,923	15	1,998	15
Germany	13,505	19	13,766	19
Netherlands	2,648	17	2,537	17
Belgium	2,375	28	2,377	28
Austria	1,956	10	1,951	11
Luxembourg	192	16	152	16
Finland	1,248	6	1,230	7
France	4,954	25	5,324	24
USA	14,281	36	12,956	37
Spain	4,661	20	4,739	21
Poland	6,674	16	6,613	16
Czech Republic	1,282	13	1,230	13
Portugal	741	14	752	16
Italy	4,416	32	4,293	27
Canada	2,327	25	1,890	24
Slovenia	163	7	154	7
Ireland	456	18	482	17
Hungary	843	14	773	15
Slovakia	365	14	371	14
Greece	1,117	17	1,137	19
China	10,086	29	9,574	29
Hong Kong	888	37	1,081	35
Japan	2,513	30	2,435	30
Russia	3,408	26	3,092	26
South Korea	1,003	27	1,202	31
Turkey	3,012	42	3,389	42
Romania	1,225	23	1,198	25

Cont. Note 8, Average number of employees

	2019 Total	2019 Male %	2018 Total	2018 Male %
Croatia	338	9	336	9
Singapore	423	32	420	31
Bulgaria	348	16	359	19
Latvia	327	13	306	14
Malaysia	831	53	815	54
Mexico	1,435	49	1,241	51
Chile	1,432	45	1,051	58
Lithuania	210	7	215	11
Serbia	230	17	216	19
Estonia	247	6	238	5
Australia	1,363	27	1,209	35
Philippines	780	50	823	30
Taiwan	322	30	341	28
Peru	616	54	699	55
Macau	59	34	64	39
India	1,972	59	1,781	62
South Africa	596	37	568	36
Puerto Rico	51	26	41	20
Cyprus	40	20	52	27
New Zealand	231	35	185	31
Kazakhstan	153	26	149	29
Colombia	339	47	329	49
Iceland	140	10	74	15
Vietnam	281	36	224	32
Georgia	107	12	92	14
Ukraine	231	29	113	28
Uruguay	245	27	63	24
Bosnia-Herzegovina	25	16	–	–
Belarus	17	18	–	–
Other countries	937	70	953	72
Total	126,376	27	123,283	26

9. DEPRECIATION AND AMORTISATION

Depreciation has been calculated at 12.5 percent of the acquisition cost of equipment and leasehold rights, and 20 percent for computer equipment and vehicles. Brands and customer relations relating to FaBrick Scandinavien AB and capitalised development costs are amortised at 10 percent of the acquisition cost. Buildings are depreciated at 3 percent of their acquisition cost. No depreciation is applied to land values. Depreciation for the year is reported in the income statement as follows:

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Cost of goods sold	570	558	–	–
Selling expenses	9,887	8,566	–	–
Administrative expenses	594	547	63	83
Total	11,051	9,671	63	83

10. AUDIT FEES

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Ernst & Young				
Statutory audit	33.3	30.7	4.9	3.7
Auditing other than statutory audit	4.2	4.4	0.5	0.2
Tax consultancy	8.8	11.1	0.1	-
Other consultancy	7.2	4.1	-	0.4
Other auditors				
Statutory audit	9.5	7.8	-	-
Total	63.0	58.1	5.5	4.3

11. TAX

Income taxes in the income statement represent current and deferred corporation tax payable by Swedish and foreign subsidiaries. Current tax is tax that will be paid or received in respect of the current year as well as adjustments to current tax attributable to previous periods. The income tax rate in force in each country is applied.

Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. Deferred tax is calculated using the tax rates that are expected to apply in the period when the receivables are deducted or the liabilities are settled, based on the tax rates (and the tax legislation) in force on the closing date. A deferred tax liability is recognised for all temporary differences unless it relates to goodwill or to an asset or a liability in a transaction that is not a company acquisition and that, at the time of acquisition, affects neither the reported nor taxable profit or loss for the period. Also, temporary differences relating to investments in subsidiaries and associates are taken into account only to the extent it is likely that the temporary difference will be reversed in the foreseeable future. Deferred tax assets for temporary differences and loss carryforwards are recognised only to the extent it is likely that these will be able to be utilised.

The carrying amounts of deferred tax assets are tested as of each closing date and reduced where it is no longer deemed likely that they will be able to be utilised.

The US tax reform (Tax Cuts & Jobs Act) was enacted in December 2017. For H&M this meant that deferred tax liabilities and deferred tax assets assignable to H&M's US subsidiary were remeasured in 2018. A one-off effect of SEK 425 m attributable to this was recognised in 2018. Based on the decision to reduce the Swedish corporate tax rate, the group has also remeasured the deferred tax liability relating to capitalised development costs and excess depreciation. The group had one-off positive tax income of SEK 21 m (93) in the financial year as a result of these remeasurements. Cash flow was not affected by these one-off effects.

Global companies such as H&M are sometimes involved in tax proceedings of varying extent and at different stages. H&M continually evaluates tax proceedings in progress. Where it is likely that additional tax will have to be paid and the outcome can be reasonably estimated, the necessary reserve is made. As of the closing date, tax proceedings relating to internal pricing are in progress in some countries. H&M has made an assessment of the likely outcome and reserved the tax expense concerned. As of the closing date, this reserve totalled SEK 271 m (435). This assessment took account of aspects such as whether agreements on double taxation exist and whether there are differences between the tax rates in different countries.

Cont. Note 11, Tax

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Tax expense (-) / tax receivable (+):				
Current tax				
Tax expense for the period	-4,829	-4,236	-281	-671
Adjusted tax expense for previous years	-151	-23	0	0
Total	-4,980	-4,259	-281	-671
Deferred tax receivable (+) / tax expense (-) in respect of:				
Stock-in-trade	55	-628	-	-
Loss carryforwards in subsidiaries	-15	29	-	-
Pension provisions	54	-16	6	-2
Tax allocation reserve	-	1,780	-	-
Intangible non-current assets	172	-595	-	-
Property, plant and equipment	52	-39	-	-
Rent-related provisions	362	344	-	-
Other temporary differences	331	-121	-	-
Effect of changed tax rates	21	518	-	-
Total	1,032	1,272	6	-2
Total	-3,948	-2,987	-275	-673
Deferred tax recognised in other comprehensive income in respect of:				
Hedging reserves	-36	-123	-	-
Defined benefit pension plans	15	-3	1	2
Total	-21	-126	1	2
Reconciliation between current tax rate and effective tax rate:				
Expected tax expense according to the Swedish tax rate of 22%	-3,826	-3,441	-3,764	-3,698
Difference in foreign tax rates	29	53	-	-
Non-deductible/non-taxable	-21	-94	0	-9
Tax for previous years	-151	-23	0	0
Tax-free dividend subsidiaries	-	-	3,485	3,034
Effect of changed tax rates	21	518	4	-
Total	-3,948	-2,987	-275	-673
Recognised deferred tax assets relate to:				
Stock-in-trade	103	680	-	-
Loss carryforwards in subsidiaries	45	60	-	-
Pension provisions	260	119	82	76
Intangible non-current assets	224	191	-	-
Property, plant and equipment	1,003	816	-	-
Rent-related provisions	1,402	1,040	-	-
Hedging reserves	-	8	-	-
Other temporary differences	1,285	880	-	-
Total	4,322	3,794	82	76
Recognised deferred tax liabilities relate to:				
Stock-in-trade	161	757	-	-
Tax allocation reserve	-	-	-	-
Intangible non-current assets	1,685	1,891	-	-
Property, plant and equipment	2,272	2,116	-	-
Hedging reserves	41	31	-	-
Other temporary differences	264	293	-	-
Total	4,423	5,088		

As of the closing date, the group has no loss carryforward other than the recognised deferred taxes receivable.

12. INTANGIBLE ASSETS

Intangible assets with a finite useful life are reported at acquisition cost less accumulated amortisation and any accumulated impairment. Amortisation is distributed on a straight-line basis over the assets' expected useful life.

Development costs are capitalised to the extent that it is judged that the company will derive future financial benefits and if the acquisition cost can be reliably calculated. The reported value includes the direct costs of services and materials acquired, payroll and indirect costs attributable to the asset. Other development costs, as well as maintenance and training initiatives, are recognised as expenses in the income statement as they arise.

Goodwill is the amount by which the acquisition cost of the subsidiary's shares exceeds the calculated value of the subsidiary's net identifiable assets upon acquisition. Goodwill on acquisition of subsidiaries is reported as an intangible asset. Intangible assets with an indefinite useful life, including goodwill, are tested for impairment annually or more often if there is an indication of a decline in value. If the carrying amount of the asset exceeds the recoverable amount (the higher of the net realisable value and the value in use), an impairment loss is applied for the necessary amount. Any impairment is recognised in profit/loss.

	GROUP	
	2019	2018
Leasehold rights and similar		
Opening acquisition cost	1,250	1,265
Acquisitions during the year	34	68
Sales/disposals	-140	-121
Translation effects	28	38
Closing acquisition cost	1,172	1,250
Opening amortisation	-755	-689
Sales/disposals	140	114
Amortisation for the year	-160	-159
Translation effects	-12	-21
Closing accumulated amortisation	-787	-755
Closing book value	385	495
Opening value, projects in progress	13	16
Change for the year	13	-4
Translation effects	1	1
Closing value, projects in progress	27	13
Total closing book value	412	508
Capitalised expenditure		
Opening acquisition cost	10,098	6,910
Acquisitions during the year	2,898	3,207
Write-downs	-19	
Closing acquisition cost	12,996	10,098
Opening amortisation	-1,052	-549
Amortisation for the year	-971	-503
Closing accumulated amortisation	-2,023	-1,052
Closing book value	10,973	9,046

Capitalised development costs refers mainly to IT-related investments. Amortisation has commenced for those parts that were taken into use during 2013–2019, corresponding to around 75 percent of the capitalised development costs. Those projects that are not yet ready for use are tested for impairment annually.

Cont. Note 12, Intangible non-current assets

	GROUP	
	2019	2018
Goodwill*		
Opening book value	64	64
Change for the year	-	-
Closing book value	64	64

* Brand, customer relations and goodwill assets were added through the acquisition in 2008 of the company FaBric Scandinavien AB, which is a cash-generating unit. H&M acquired the remaining 40 percent of the shares in FaBric Scandinavien AB at the end of November 2010.

A goodwill impairment test was carried out at the end of 2019. Significant assumptions used when testing goodwill for impairment are sales development and gross margin. The impairment test is based on a calculation of value in use. The value in use has been assessed based on discounted cash flows according to forecasts for the next five years and with an annual growth rate of 2 percent (2) in subsequent years. A discount rate of 14 percent (14) before tax was used. The cash flows are based on H&M's business plan. The growth rate of 2 percent (2) is based on H&M's assessment of the opportunities and risks associated with the business. The discount rate is based on an average weighted capital cost that is estimated to be on a par with the external requirements that the market imposes for similar companies. No impairment was identified and H&M is of the opinion that reasonable possible changes in the variables above would not have such a significant impact that the recoverable amount would be reduced to a lower amount than the carrying amount.

13. BUILDINGS, LAND AND EQUIPMENT

Costs relating to property, plant and equipment are reported in the balance sheet if it is likely that the company will derive future financial benefits associated with the asset and if the asset's acquisition cost can be reliably calculated. Other costs and costs relating to ongoing maintenance and repair are reported as an expense in the period in which they arise. Property, plant and equipment are reported at acquisition cost less accumulated depreciation and any accumulated impairment. Depreciation is distributed on a straight-line basis over the assets' expected useful life. No depreciation is applied to land. The carrying amount of property, plant and equipment is tested for any indication of impairment. If the carrying amount of the asset exceeds the recoverable amount (the higher of the net realisable value and the value in use), an impairment loss is applied for the necessary amount. Any impairment is recognised in profit/loss.

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Buildings				
Opening acquisition cost	1,153	1,099	235	229
Acquisitions during the year	-	6	-	6
Sales/disposals	-	0	-	-
Translation effects	26	48	-	-
Closing acquisition cost	1,179	1,153	235	235
Opening depreciation	-473	-419	-96	-89
Sales/disposals	-	0	-	-
Depreciation for the year	-36	-34	-7	-7
Translation effects	-12	-20	-	-
Closing accumulated depreciation	-521	-473	-103	-96
Closing book value	658	680	132	139
Opening value, projects in progress	-	1	-	1
Change for the year	-	-1	-	-1
Translation effects	-	0	-	-
Closing value, projects in progress	-	-	-	-
Total closing book value	658	680	132	139

Cont. Note 13, Buildings, land and equipment

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Land				
Opening acquisition cost	151	143	7	7
Acquisitions during the year	-	0	-	-
Sales/disposals	-	0	-	-
Translation effects	3	8	-	-
Closing book value	154	151	7	7
Equipment				
Opening acquisition cost	74,454	67,936	1,001	1,001
Acquisitions during the year	7,369	9,109	5	-
Sales/disposals	-6,691	-5,912	-725	-
Translation effects	2,354	3,321	-	-
Closing acquisition cost	77,486	74,454	281	1,001
Opening depreciation	-34,776	-30,263	-858	-782
Sales/disposals	5,806	5,628	725	-
Depreciation for the year	-9,406	-8,563	-56	-76
Translation effects	-1,134	-1,578	-	-
Closing accumulated depreciation	-39,510	-34,776	-189	-858
Closing book value*	37,976	39,678	92	143
Opening value, projects in progress	1,930	1,321	-	-
Change for the year	109	516	1	-
Translation effects	64	93	-	-
Closing value, projects in progress	2,103	1,930	1	-
Total closing book value	40,079	41,608	93	143

* Financial leases on store tills included in the closing book value of equipment amount to SEK 374 m (450). The contracts run for up to seven years.

14. PARTICIPATIONS IN ASSOCIATED COMPANIES

	GROUP	
	2019	2018
Opening balance	126	59
New investments	137	86
Sales/disposals	-30	0
Dividends	0	0
Share of result	-23	-19
Closing balance	210	126

2019	Corporate ID number	Share %	Share of result
Sellhelp AB	556996-1260	70.0	-10
TreeToTextile AB	556989-2648	25.0	-7
Worn Again Footwear & Accessories Ltd		29.4	-6
2018	Corporate ID number	Share %	Share of result
IvyRevel AB	556890-1234	22.9	-3
Sellhelp AB	556996-1260	33.4	-5
TreeToTextile AB	556989-2648	33.0	-2
Worn Again Footwear & Accessories Ltd		29.4	-9

15. PAYMENTS FOR OPERATING LEASES AND FINANCE LEASES

Leases are classified in the consolidated accounts as either finance or operating leases. Finance leases exist when the financial risks and benefits associated with the ownership of an object are essentially transferred from the lessor to the lessee, regardless of whether the legal ownership lies with the lessor or the lessee. Assets held under finance leases are reported as non-current assets and future payment commitments are reported as liabilities in the balance sheet. On initial recognition the asset and liability are reported at the net present value of future minimum lease payments and any residual value. On subsequent occasions the expense is distributed between an interest portion and a repayment portion. All other rental agreements that do not fulfil the conditions for classification as finance leases are deemed to be operating leases. Lease payments made under operating leases are expensed over the lease period using the straight-line method, even if the payment schedule deviates from this. From and including the 2016 financial year, H&M has not only operating leases but also some leases that are classified as finance leases. The group's main leases are rental agreements for premises. Variable (sales-based) rents are recognised in the same period as the corresponding sales.

Operating leases

The group has leases relating to rented premises which were entered into on normal market terms. Most of the agreements contain options to extend the term. Rental costs for the 2019 financial year amounted to SEK 26,347 m (24,801), of which sales-based rent amounted to SEK 5,225 m (4,428).

Rent according to the group's rental agreements (basic rent excluding any sales-based rent) amounts to:

	GROUP	
	2019	2018
Rental commitments in next 12 months	16,234	16,234
Rental commitments in next one to five years	36,562	37,535
Rental commitments more than five years ahead	18,110	16,413
Total	70,906	70,182

Finance leases

The group has assets held under finance leases in respect of store cash registers with a year-end residual value according to plan of SEK 374 m (450).

Finance lease payments are due as follows:

2019	Present value	Interest cost	Nominal
In next 12 months	147	2	149
In next two to five years	216	3	219
More than five years ahead	17	0	17
Total	380	5	385

2018	Present value	Interest cost	Nominal
In next 12 months	136	2	138
In next two to five years	305	3	308
More than five years ahead	17	0	17
Total	458	5	463

Cont. Note 15, Payments for operating leases and finance leases

Liabilities for leased property, plant and equipment

	GROUP	
	2019	2018
Opening balance	457	475
Additional contracts	49	69
Amortisation	-149	-126
Interest costs	2	2
Translation effects	21	37
Total	380	457

During the 2019 financial year expenses attributable to finance leases including depreciation were charged to earnings for the group in the amount of SEK 127 m (116), as well as interest expenses of SEK 2 m (2).

16. STOCK-IN-TRADE

Stock-in-trade is valued at the lower of the acquisition cost and the net realisable value. Acquisition cost refers to the company's expenses for acquiring the goods including customs duties and shipping. The net realisable value is the estimated market value less the calculated selling expenses. From the moment the goods are transferred from the supplier to the transport service provider appointed by H&M, the goods are owned according to civil law by H&M and become part of H&M's reported stock-in-trade. Goods that have not yet arrived at a store are valued at their actual acquisition cost including the estimated cost of customs duties and shipping.

For almost half of the group's goods in the sales companies the acquisition cost is established by reducing the selling price by the estimated gross margin (the retail method), while for other sales companies the acquisition cost is calculated as weighted average prices. The group is gradually moving across to calculating acquisition cost as weighted average prices. This change has no material impact on the consolidated financial statements.

Stock-in-trade amounted to SEK 37,823 m (37,721), a marginal increase in SEK compared with the same point in time last year. Currency adjusted the stock-in-trade decreased by 6 percent.

Significant write-downs are rare. There were no material write-downs in the current or previous financial years. Only an insignificant part of the stock-in-trade is measured at net realisable value. The stock-in-trade is not considered to have any material degree of obsolescence.

The stock-in-trade amounted to 31.4 percent (31.7) of total assets and 16.3 percent (17.9) of net sales.

17. PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Prepaid rent	1,930	2,155	-	-
Other items	1,037	726	21	121
Total	2,967	2,881	21	121

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances as well as short-term investments with a maximum term of three months from the date of acquisition. These investments carry no significant risk of changes in value.

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Cash and bank balances	10,070	10,428	2	93
Short-term investments, 0-3 months	2,242	1,162	-	-
Total	12,312	11,590	2	93

Investments are made on market terms and the interest rates are between -0.75 and 12.15 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

19. SHARE CAPITAL

The share capital is divided between 194,400,000 class A shares (10 votes per share) and 1,460,672,000 class B shares (one vote per share). There are no other differences between the rights associated with the shares. The total number of shares is 1,655,072,000. The dividend paid per share in 2018 was SEK 9.75.

The group's managed capital consists of shareholders' equity. The group's goal with respect to managing capital is to enable good growth to continue and to be prepared to exploit business opportunities. The board of directors' intention is to provide shareholders with a continued good return while ensuring that, as in the past, expansion and investments can proceed with a continued strong financial profile and freedom of action. Based on this, the board of directors has agreed a dividend policy stating that the total dividend should exceed 50 percent of profit after tax, yet taking into consideration the capital structure target. The dividend will be paid in two instalments – one in the spring and one in the autumn.

20. PROVISIONS FOR PENSIONS

H&M has several different plans for benefits after employment has ended. The plans are either defined benefit or defined contribution plans. Defined contribution plans are reported as an expense in the period when the employee performs the service to which the benefit relates. Defined benefit plans are assessed separately for the respective plan based on the benefits earned during the previous and current periods. The defined benefit obligations less the fair value of managed assets are reported under the heading Provisions for pensions. In the case of the Swedish entities, the actuarial calculations also cover future payments of special payroll tax. Defined benefit plans are primarily found in Sweden, but also in the UK, Norway, Switzerland, Spain and Germany. Pension obligations are assessed annually with the help of independent actuaries according to the Projected Unit Credit Method. The assessment is made using actuarial assumptions. These assumptions include such things as the discount rate, anticipated salary and pension increases as well as the expected return on managed assets. Changes in the actuarial assumptions and outcomes that deviate from the assumptions give rise to

actuarial gains or losses. The actuarial gains and losses arising are mainly due to the financial assumptions, such as changes in the discount rate. Such gains or losses are recognised in other comprehensive income in the year they arise.

For salaried employees in Sweden, H&M applies the ITP plan through insurance policies with Alecta and Collectum, i.e. ITP 2 and ITP 1. According to statement UFR 10 from the Swedish Financial Reporting Board, this is a defined benefit plan that covers a number of employers. The plan will be reported as a defined contribution plan until the company gains access to information that allows this plan to be reported according to the rules for defined benefit plans. The ITP 1 plan is a defined contribution plan. See also note 7 for information on pension to the former CEO.

Alecta's surplus cannot be allocated to the insured employer and/or the insured employees. As of 30 September 2019, Alecta's consolidation ratio was 142 percent (159). The consolidation ratio is calculated as the fair value of managed assets as a percentage of the obligations calculated in accordance with Alecta's actuarial assumptions. This calculation is not in line with IAS 19.

	GROUP			PARENT COMPANY		
	2019	2018	2017	2019	2018	2017
Present value of defined benefit obligations	1,784	1,588	1,488	188	196	197
Fair value of managed assets	-1,274	-1,143	-1,043	-12	-15	-15
Provisions for pension obligations recognised in the balance sheet	510	445	445	176	181	182
Opening balance, 1 December	445	445	527	181	182	191
Recognised pension expenses, net	137	69	-23	7	14	5
Premiums paid by employer	-54	-51	-52	-	-	-
Pensions paid out	-18	-18	-17	-12	-15	-14
Disbursements from assets	-	-	10	-	-	-
Carrying amount of defined benefit obligations, 30 November	510	445	445	176	181	182

Of the total recognised obligation, SEK 205 m (210) relates to defined benefit pensions plans in Sweden and SEK 243 m (186) to plans in Switzerland.

The weighted average maturity of these pension plans is 9.8 years for the Swedish plans and 16.3 years for the Swiss plans.

The amounts recognised as pension expenses comprise the following items:

Current service cost	67	67	67	-	-	-
Interest expense	16	14	13	4	4	4
Interest income	-10	-8	-7	0	0	0
Reductions/adjustments gains (-) and losses (+)	8	-4	-2	-	-	-
Past service cost	-20	2	-	-	-	-
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	10	16	-14	-	-	-
Pension expenses recognised in the income statement	71	87	57	4	4	4
Pension expenses recognised in other comprehensive income						
Actuarial gains/losses financial assumptions asset	-55	-20	-50	2	1	2
Actuarial gains/losses demographic assumptions liability	-14	0	-	-14	0	-
Actuarial gains/losses financial assumptions liability	135	2	-30	15	9	-1
Actuarial gains (-) and losses (+)	66	-18	-80	3	10	1
Total recognised pension expenses	137	69	-23	7	14	5

The cost of defined contribution pension plans amounts to SEK 601 m (647).

Next year's expected payments for defined benefit pension plans amount to SEK 34 m.

Significant actuarial assumptions on the balance sheet date (weighted average amounts)

Discount rate	0.40%	1.02%	0.95%	1.25%	2.00%	2.25%
Future salary increases	1.29%	1.27%	1.29%	3.00%	3.00%	5.00%
Future pension increases (inflation)	0.27%	0.31%	0.30%	2.00%	2.00%	1.75%

A 0.5 percentage point reduction in the discount rate would increase the liability for the Swedish commitments by SEK 11.1 m (11.7).

21. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	Financial assets and liabilities at fair value through other comprehensive income		Financial assets at amortised cost		Financial liabilities at amortised cost		Total book value	
	2019	2018	2019	2018	2019	2018	2019	2018
Other non-current receivables	-	-	912	885	-	-	912	885
Accounts receivable	-	-	5,879	6,329	-	-	5,879	6,329
Derivatives	661	372	-	-	-	-	661	372
Other shares and interests	-	-	639	478	-	-	639	478
Cash and cash equivalents	-	-	12,312	11,590	-	-	12,312	11,590
Total financial assets	661	372	19,742	19,282	-	-	20,403	19,654
Accounts payable	-	-	-	-	7,838	6,800	7,838	6,800
Liabilities to credit institutions	-	-	-	-	17,317	19,323	17,317	19,323
Derivatives	479	238	-	-	-	-	479	238
Total financial liabilities	479	238	-	-	25,155	26,123	25,634	26,361

Financial instruments recognised in the balance sheet include on the assets side cash and cash equivalents, accounts receivable, short-term investments, non-current receivables and derivatives. On the liabilities side are accounts payable, liabilities to credit institutions and derivatives. Financial instruments are reported in the balance sheet when the group becomes a party to the contractual terms of the instrument. Financial assets are removed from the balance sheet when the contractual rights to the cash flows from the asset cease. Financial liabilities are removed from the balance sheet when the obligation is met, cancelled or ends.

Financial instruments are measured based on inputs classified in accordance with IFRS 13:

- Level 1: Quoted prices in active markets for identical assets or liabilities, such as shares or bonds listed on a stock exchange.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (such as quoted prices) or indirectly (obtained from quoted prices), such as currency forwards or interest rate swaps.
- Level 3: Inputs for the asset or liability that are not entirely based on observable market data.

Currency derivatives are measured at fair value based on Level 2 inputs in the IFRS 13 hierarchy. As of 30 November 2019, forward contracts with a positive market value amount to SEK 771 m (419), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 568 m (311), which is reported under other current liabilities. Other financial assets and liabilities have short terms. The fair values of these financial instruments are assessed to be approximately equal to their book values.

Classification and subsequent recognition

At the date of acquisition the financial instruments are classified in the categories below.

Financial assets measured at fair value through profit or loss

Assets are classified in this category if it is intended that they will be sold in the short term, and in such cases they are subsequently recognised at fair value through profit or loss. No financial assets have been classified in this category.

Financial liabilities measured at fair value through profit or loss

Liabilities in this category are measured subsequently at fair value with changes in value recognised in profit or loss. No financial liabilities have been classified in this category.

Financial assets and liabilities measured at fair value through other comprehensive income

This category includes assets that are available for sale or that have not been classified in one of the other categories. These assets are measured at fair value through other comprehensive income less any impairment losses. This category includes derivatives used for hedging purposes.

Financial assets measured at amortised cost

Assets in this category are measured at amortised cost less any provision for impairment. This category primarily covers cash and bank balances as well as accounts receivable. Cash and bank balances are measured at amortised cost. Accounts receivable have a short expected term and are spread across a large number of customers, with low amounts per customer, and are measured without discounting at the original invoiced amount with deductions for doubtful receivables. The average debt was around SEK 2,747 (2,801). Bad debts during the year from accounts receivable were insignificant. This category also includes assets with payment flows that are fixed or that can be established in advance and with a fixed term which the group has the express intention and capacity to hold until maturity. These assets are measured at amortised cost, with the effective interest rate being used to calculate the value. As of the closing date, all of the group's short-term investments fell into this category.

Financial liabilities measured at amortised cost

This category includes financial liabilities that are not held for trading. These are initially recognised at fair value, net after transaction costs, and subsequently at amortised cost using the effective interest method, which means that the computed change in value (the effective interest) is recognised as interest income or interest expense in the income statement. Accounts payable fall into this category. These have a short expected term and are recognised at the nominal amount with no discounting. Liabilities to credit institutions are measured at amortised cost. All of the liabilities stated below under financial liabilities are measured at amortised cost and do not deviate significantly from the fair values.

	GROUP	
	2019	2018
Change in hedging reserves		
Reported in other comprehensive income	-209	483
Reclassified to profit or loss	365	52
Total	156	535

Cont. Note 21, Financial assets and liabilities by category

Reporting of derivatives used for hedging purposes

All derivatives are reported initially and continually at fair value in the balance sheet.

The group's policy is for derivatives to be held for hedging purposes only. Derivatives comprise forward currency contracts used to hedge the risk of exchange rate fluctuations for internal and external flows of goods.

To meet the requirements of hedge accounting there must be a clear link to the hedged item. In addition, the hedge must effectively protect the hedged item, hedge documentation must have been prepared and the effectiveness must be measurable.

In hedge accounting, derivatives are classified as cash flow hedging or as fair value hedging. In the past financial year and the previous financial year all of the group's derivatives were categorised as cash flow hedging or hedging of net investments in foreign operations. How these hedging transactions are reported is described below.

Hedging of forecast currency flows - cash flow hedging

Derivatives that hedge the forecast flow are reported in the balance sheet at fair value. Changes in value are reported in equity as a hedging reserve, through other comprehensive income, until such time as the hedged flow is recognised in operating profit, at which time the hedging instrument's accumulated changes in value are transferred to the income statement where they then correspond to the profit/loss effects of the hedged transaction.

The category derivatives for hedging recognised at fair value is measured based on observable data; in other words, in accordance with level 2 in the measurement hierarchy established in IFRS 13. The fair value of forward exchange contracts is calculated by discounting the difference between the agreed forward rate and the forward rate that can be obtained on the closing date for the remaining contract term. Contracts are discounted to a risk-free rate based on government bonds.

Hedging of net investments in foreign operations

Derivatives intended for hedging net investments in foreign operations are recognised in equity through other comprehensive income.

The fair value of all financial assets and liabilities essentially corresponds to the book value. Assets and liabilities that are recognised at amortised cost have short remaining terms, making the difference between book value and fair value negligible.

Forward contracts

All changes in the value of derivatives are recognised initially in equity as a hedging reserve through other comprehensive income. Through other comprehensive income, the fair value is transferred from the hedging reserve to the income statement in conjunction with a hedged transaction taking place.

The table below shows the outstanding forward contracts for cash flow hedging as of the closing date:

SELL/BUY	Book value and fair value, SEK		Nominal amount, SEK		Average remaining term in months	
	2019	2018	2019	2018	2019	2018
NOK/SEK	15	14	521	633	3	3
GBP/SEK	-59	19	2,736	3,336	3	3
DKK/SEK	16	5	812	1,115	3	3
CHF/SEK	17	-2	684	642	3	3
EUR/SEK	281	50	14,399	16,170	4	4
PLN/SEK	27	1	1,381	1,240	4	3
USD/SEK	38	-48	5,014	4,001	3	3
CAD/SEK	8	4	574	547	3	3
JPY/SEK	20	0	727	738	3	3

Cont. Note 21, Financial assets and liabilities by category

SELL/BUY	Book value and fair value, SEK		Nominal amount, SEK		Average remaining term in months	
	2019	2018	2019	2018	2019	2018
HKD/SEK	1	-3	160	182	3	3
RON/SEK	10	3	429	550	3	3
CZK/SEK	3	3	243	268	3	3
HUF/SEK	11	1	336	319	4	3
AUD/SEK	5	-8	297	425	3	3
CNH/SEK	4	1	997	1,506	3	3
RUB/SEK	-4	-2	741	1,076	4	3
TRY/SEK	-5	-71	284	479	3	4
MXN/SEK	-1	22	444	579	3	3
SEK/USD	-213	149	16,137	14,376	2	2
SEK/EUR	-31	-2	1,515	1,755	2	2
Subtotal	143	136	48,431	49,937		

SELL/BUY	Book value and fair value, SEK		Nominal amount, USD		Average remaining term in months	
	2019	2018	2019	2018	2019	2018
KRW/USD	0	0	20	25	3	4
CLP/USD	39	-2	32	29	3	4
PEN/USD	0	-	2	-	5	-
Subtotal	39	-2	54	54		
Total	182	134				

ASSETS/LIABILITIES 2019	Derivative assets		Derivative liabilities		Total
	Gross amounts				
Gross amounts		771	567		204
Total in balance sheet		661	479		182
Financial instruments		-372	-372		0
Net amount		289	107		182

ASSETS/LIABILITIES 2018	Derivative assets		Derivative liabilities		Total
	Gross amounts				
Gross amounts		419	311		108
Total in balance sheet		372	238		134
Financial instruments		-151	-151		0
Net amount		221	87		134

At the closing date, forward contracts with a positive market value amount to SEK 771 m (419), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 567 m (311), which is reported under other current liabilities. Of the outstanding forward contracts, gains of SEK 22 m (-26) were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK 182 m (134) is included in the hedging reserve in equity.

22. ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Holiday pay liability	1,571	1,500	-	-
Social security costs	1,067	1,027	44	38
Payroll liability	2,099	1,968	0	0
Costs relating to premises	14,292	12,985	-	-
Other accrued overheads	6,690	5,687	142	115
Total	25,719	23,167	186	153

23. RELATED PARTY DISCLOSURES

Ramsbury Invest AB, which is owned by Stefan Persson and family, is the parent company of H & M Hennes & Mauritz AB. The H&M group leases the following store premises in properties directly or indirectly owned by Stefan Persson and family: Drottninggatan 50–52 and Drottninggatan 56 in Stockholm, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö, Amagertorv 23 in Copenhagen, Oxford Circus and Regent Street in London, Kaufinger Strasse in Munich, Via del Corso/Via Tomacelli in Rome, Wisconsin Avenue in Washington DC and, since January 2008, premises for H&M's head office in Stockholm. Rent is paid at market

rates, and rental costs and other property-related expenses totalled SEK 375 m (371) for the financial year.

Karl-Johan Persson received remuneration in the form of salary and benefits amounting to SEK 13.8 m (13.8), which included variable remuneration of SEK 0 m (0), for work carried out during the 2019 financial year as CEO of H & M Hennes & Mauritz AB.

Outstanding balances with related parties as of 30 November 2019 totalled SEK 19.2 m (0.1).

See also note 7 for outstanding balances with board members.

24. INTEREST-BEARING LIABILITIES

2019	GROUP				PARENT COMPANY			
	Interest rate % 30 Nov.	In next 12 months	In 1-5 years	More than 5 years ahead	Interest rate % 30 Nov.	In next 12 months	In 1-5 years	More than 5 years ahead
External loans								
Nordic countries	0.13-1.70	5,530*	6,306	2,000	0.13-1.70	5,530	6,181	2,000
Euro countries	0.00-0.325	1,051	2,102	-	0.325-0.325	-	2,085	-
Other countries	7.80-10.00	328	-	-	-	-	-	-
Liabilities, financial leasing	0.00-1.27	147	216	17	-	-	-	-
Total	7,056	8,624	2,017		5,530	8,266	2,000	

* Of which commercial papers of SEK 4,330 m (0).

2018	GROUP				PARENT COMPANY			
	Interest rate % 30 Nov.	In next 12 months	In 1-5 years	More than 5 years ahead	Interest rate % 30 Nov.	In next 12 months	In 1-5 years	More than 5 years ahead
Liabilities to credit institutions								
Nordic countries	0.012-0.80	8,750	9,136	-	0.012-0.80	6,000	9,113	-
Euro countries	0.00	-	1,034	-	-	-	-	-
Other countries	8.25-18.50	403	-	-	-	-	-	-
Liabilities, financial leasing	0.21-1.53	136	305	17	-	-	-	-
Total	9,289	10,475	17		6,000	9,113	-	

Reconciliation of liabilities attributable to financing activities

	2018	Cash flow change	Acquisition*	Foreign exchange movement*	Fair value changes*	2019
Long-term borrowings	10,170	243	-	-	-	10,413
Short-term borrowings	9,153	-2,249	-	-	-	6,904
Lease liabilities	457	-149	49	23	-	380
Derivatives	-135	-	-	-47	-	-182
Total liabilities from financing activities	19,645	-2,155	49	-24	0	17,515

* Not affecting cash flow

	2017	Cash flow change	Acquisition*	Foreign exchange movement*	Fair value changes*	2018
Long-term borrowings	-	10,170				10,170
Short-term borrowings	9,745	-592				9,153
Lease liabilities	475	-126	69	39		457
Derivatives	406			-541		-135
Total liabilities from financing activities	10,626	9,452	69	-502	0	19,645

* Not affecting cash flow

25. APPROPRIATIONS

	PARENT COMPANY	
	2019	2018
Group contributions paid	-3,000	-1,455
Depreciation in excess of plan	39	16
Reversal of tax allocation reserve	-	305
Total	-2,961	-1,164

26. INTERESTS IN GROUP COMPANIES

All group companies are wholly owned.

2019	Corporate ID number	No. of shares	Book value	Domicile
Parent company shareholding				
H & M Hennes & Mauritz Sverige AB	556151-2376	1,250	0.1	Stockholm
H & M Online AB	556023-1663	1,150	30.6	Stockholm
H & M Hennes & Mauritz GBC AB	556070-1715	999	2.6	Stockholm
H & M Hennes & Mauritz International B.V.		40	0.1	Netherlands
H & M Hennes & Mauritz India Private Ltd		8,650,000	12.5	India
H & M Hennes & Mauritz Japan KK		99	11.7	Japan
FaBric Scandinavien AB	556663-8523	1,380	560.7	Tranås
H & M Hennes & Mauritz International AB	556782-4890	1,000	0.1	Stockholm
H & M Fashion AB	556922-7878	50,000	0.1	Stockholm
H & M Finance AB	559159-7090	50,000	300.1	Stockholm
Total		918.6		

2019	Corporate ID number	Domicile
Subsidiaries' holdings		
H & M Hennes & Mauritz AS		Norway
H & M Hennes & Mauritz A/S		Denmark
H & M Hennes & Mauritz UK Ltd		UK
H & M Hennes & Mauritz UK Services Ltd		UK
H & M Hennes & Mauritz SA		Switzerland
H & M Hennes & Mauritz B.V. & Co. KG		Germany
Impuls GmbH		Germany
H & M Hennes & Mauritz Logistics AB Co. KG		Germany
H & M Hennes & Mauritz online shop AB & Co. KG		Germany
& Other Stories AB & Co. KG		Germany
H & M New Business AB & Co. KG Germany		Germany
H & M Hennes & Mauritz Holding B.V.		Netherlands
H & M Hennes & Mauritz Netherlands B.V.		Netherlands
H & M Hennes & Mauritz Management B.V.		Netherlands
H & M Hennes & Mauritz Services B.V.		Netherlands
H & M Hennes & Mauritz Belgium NV		Belgium
H & M Hennes & Mauritz Logistics GBC NV		Belgium
H & M NB Belgium NV		Belgium
H & M Hennes & Mauritz GesmbH		Austria
H & M Hennes & Mauritz Oy		Finland
H & M Hennes & Mauritz SARL		France
H & M Hennes & Mauritz Logistics GBC France		France
H & M Hennes & Mauritz LP		USA
Hennes & Mauritz SL		Spain
Hennes & Mauritz Customer Services SL		Spain
H & M Hennes & Mauritz sp. z.o.o.		Poland
H & M Hennes & Mauritz Logistics sp. z.o.o.		Poland
H & M Hennes & Mauritz Logistics 1 Sp.z.o.o.		Poland
H & M Hennes & Mauritz CZ, s.r.o.		Czech Republic
Hennes & Mauritz Lda		Portugal
H & M Hennes & Mauritz S.r.l.		Italy
H & M Services S.r.l.		Italy

Cont. Note 26, *Interests in group companies*

2019	Corporate ID number	Domicile
H & M Hennes & Mauritz Inc.		Canada
H & M Hennes & Mauritz d.o.o.		Slovenia
H & M Hennes & Mauritz (Ireland) Ltd		Ireland
H & M Hennes & Mauritz Kft		Hungary
H & M Hennes & Mauritz (Far East) Ltd		Hong Kong
Puls Trading Far East Ltd		Hong Kong
H & M Hennes & Mauritz Holding Asia Ltd		Hong Kong
H & M Hennes & Mauritz Ltd		Hong Kong
Hennes & Mauritz (Shanghai) Commercial Co Ltd		China
H & M Hennes & Mauritz (Shanghai) Trading Co Ltd		China
H & M Hennes & Mauritz (Shanghai) Garments & Accessories Co Ltd		China
H & M Hennes & Mauritz SK s.r.o.		Slovakia
H & M Hennes & Mauritz A.E.		Greece
H & M Hennes & Mauritz LLC		Russia
H & M Hennes & Mauritz TR Tekstil Ltd Sirketi		Turkey
H & M Hennes & Mauritz Ltd		South Korea
H & M Hennes & Mauritz SRL		Romania
H & M Hennes & Mauritz d.o.o. za trgovinu		Croatia
H & M Hennes & Mauritz PTE Ltd		Singapore
H & M Hennes & Mauritz EOOD		Bulgaria
Weekday Brands AB	556675-8438	Sweden
FaBric Sales AB & Co. KG Germany		Germany
H & M Hennes & Mauritz S.A de C.V.		Mexico
H & M Hennes & Mauritz Management S.A de C.V.		Mexico
H & M Hennes & Mauritz Servicios S.A de C.V.		Mexico
H & M Hennes & Mauritz Support S.A de C.V.		Mexico
H & M Hennes & Mauritz SIA		Latvia
H & M Retail SDN BHD		Malaysia
H & M Hennes & Mauritz Spa		Chile
H & M Hennes & Mauritz OÜ		Estonia
H & M Hennes & Mauritz UAB		Lithuania
H & M Hennes & Mauritz d.o.o.		Serbia
H and M Hennes and Mauritz Proprietary Limited		South Africa
H & M Hennes & Mauritz Pty Ltd		Australia
H & M Hennes & Mauritz S.A.C.		Peru
H & M Hennes & Mauritz (Macau) Limited		Macau
H & M Hennes & Mauritz Retail Private Limited		India
H & M Hennes & Mauritz INC		Philippines
H & M Hennes & Mauritz New Zealand Limited		New Zealand
H & M Hennes & Mauritz Cyprus Limited		Cyprus
H & M Hennes & Mauritz Kazakhstan LLP		Kazakhstan
H & M Hennes & Mauritz Colombia S.A.S		Colombia
H & M Hennes & Mauritz Iceland ehf		Iceland
H & M Hennes & Mauritz Vietnam LLC		Vietnam
H & M Hennes & Mauritz Georgia LLC		Georgia
Hennes & Mauritz Uruguay S.A.		Uruguay
H & M Hennes & Mauritz LLC		Ukraine
H & M Hennes & Mauritz Bel LLC		Belarus
H & M Hennes & Mauritz B&H d.o.o.		Bosnia-Herzegovina

27. UNTAXED RESERVES

	PARENT COMPANY	
	2019	2018
Depreciation in excess of plan	57	96
Tax allocation reserve	-	-
Total	57	96

28. CONTINGENT LIABILITIES

A contingent liability is reported where there is a possible obligation for which it remains to be confirmed whether the company has an existing obligation that could result in an outflow of resources. Alternatively, there may be an existing obligation that does not fulfil the criteria for reporting in the balance sheet as a provision or other liability since it is not likely that an outflow of financial resources will be required in order to settle the obligation or the amount cannot be reliably estimated.

The group is involved in various types of disputes, but it is assessed that no current disputes will have any significant impact on the group's results. For further information concerning tax disputes see note 11.

Neither the group nor the parent company has any pledged assets.

	PARENT COMPANY	
	2019	2018
Parent company's lease guarantees	11,883	12,432
Total	11,883	12,432

29. INTEREST INCOME, INTEREST EXPENSE AND SIMILAR ITEMS

The parent company's interest income and similar items consists of SEK 18 m (19) in interest income and SEK 37 m (78) in translation effects on receivables and liabilities from group companies.

The parent company's interest expense and similar items consists of SEK -142 m (-44) in interest expense and SEK 0 m (0) in translation effects on receivables and liabilities from group companies.

30. EVENTS AFTER THE CLOSING DATE

On 30 January 2020 Stefan Persson announced that after more than 20 years as chairman of the board, he had decided not to stand for re-election at this spring's AGM on 7 May 2020. In view of Stefan Persson's decision, Karl-Johan Persson chose to leave his position as CEO. The board therefore resolved to appoint Helena Helmersson, former COO, as Karl-Johan Persson's successor in the position of CEO. The change of CEO took place on 30 January 2020. The nomination committee unanimously proposes that Karl-Johan Persson takes over as chairman of the board of H & M Hennes & Mauritz AB at the AGM.

31. DISTRIBUTION OF EARNINGS

The board of directors is of the opinion that the proposed distribution of earnings is justifiable taking into consideration the financial position and continued freedom of action of the group and the parent company, and taking into consideration the capital structure target and the requirements that the nature and extent of the business and its risks, expansion and development plans impose on the group's and the parent company's equity and liquidity. H&M meets the capital requirements set out in the Swedish Companies Act. There are no other external capital requirements.

The board's proposal to the 2020 AGM regarding distribution of earnings

At the disposal of the annual general meeting: SEK 16,871,523,055

The board of directors proposes a dividend of SEK 9.75 per share SEK 16,136,952,000

To be carried forward as retained earnings SEK 734,571,055
SEK 16,871,523,055

32. KEY RATIO DEFINITIONS

This report contains key financial ratios in accordance with the framework for financial reporting applied by the H&M group, which is based on IFRS. Other key ratios and indicators are also used to follow up, analyse and govern the business and to provide the H&M group's stakeholders with financial information concerning the group's financial position, results and performance in a consistent way.

These other key ratios and indicators are considered necessary in order to be able to monitor performance against the group's financial targets. A combination of continual growth, high profitability, stable cash flow and using capital in the right way is intended to generate a high overall return for the H&M group's shareholders. It is therefore relevant to present key ratios relating to growth, profitability and capital, share-based measurements and terms relating to capital on a continuous basis.

The key ratios and indicators used, referred to and presented in the reporting are defined as shown in the list below.

PROFIT AND YIELD MEASUREMENTS

	GROUP	
	2019	2018
Profit for the year	13,443	12,652
Average shareholders' equity	57,808	59,130
Return on equity	23.3%	21.4%

Definition: Profit for the year in relation to average equity.

Reason for use: Return on equity is used as a measure of how investments are used to generate increased revenue.

Cont. Note 32, Key ratio definitions

Return on capital employed

	GROUP	
	2019	2018
Profit after financial items	17,391	15,639
Interest expense	331	146
Average shareholders' equity	57,808	59,130
Average interest-bearing liabilities	19,217	15,446
Return on capital employed	23.0%	21.2%

Definition: Profit after financial items plus interest expense in relation to average equity plus average interest-bearing liabilities.

Reason for use: A measure of profitability after taking into consideration the amount of capital employed. A higher return on capital employed indicates that the capital is being used more effectively.

Gross profit

	GROUP	
	2019	2018
Net sales	232,755	210,400
Cost of goods sold	-110,302	-99,513
Gross profit	122,453	110,887

Definition: Net sales minus cost of goods sold.

Reason for use: This is one of the ways in which H&M measures profitability. Gross profit is affected by a number of factors such as the product assortment, price development and cost changes.

Gross margin

	GROUP	
	2019	2018
Net sales	232,755	210,400
Gross profit	122,453	110,887
Gross margin	52.6%	52.7%

Definition: Gross profit in relation to net sales.

Reason for use: This is one of the ways in which H&M measures profitability. Gross profit is affected by a number of factors such as the product assortment, price development and cost changes.

Operating profit

	GROUP	
	2019	2018
Net sales	232,755	210,400
Cost of goods sold	-110,302	-99,513
Selling expenses	-96,279	-87,512
Administrative expenses	-8,828	-7,882
Operating profit	17,346	15,493

Definition: Net sales minus all costs attributable to operations but excluding net financial items and tax.

Reason for use: An indicator of the result of operating activities.

Cont. Note 32, Key ratio definitions

Operating margin

	GROUP	
	2019	2018
Net sales	232,755	210,400
Operating profit	17,346	15,493
Operating margin	7.5%	7.4%

Definition: Operating profit as a percentage of net sales for the year.

Reason for use: An indicator of operational profitability.

EBITDA

	GROUP	
	2019	2018
Operating profit	17,346	15,493
Depreciation and amortisation	11,051	9,671
EBITDA	28,397	25,164

Definition: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation). Operating profit before interest, taxes, depreciation and impairments.

Reason for use: A measure that complements operating profit, since it shows the cash surplus from operations.

CAPITAL MEASUREMENTS**Risk-bearing capital, %**

	GROUP	
	2019	2018
Shareholders' equity	57,069	58,546
Deferred tax liability	4,423	5,088
Balance sheet total	120,485	118,790
Share of risk-bearing capital	51.0%	53.6%

Definition: Equity plus deferred tax liability in relation to the balance sheet total.

Reason for use: Shows financial potential and independence to develop the business.

Equity/assets ratio

	GROUP	
	2019	2018
Shareholders' equity	57,069	58,546
Balance sheet total	120,485	118,790
Equity/assets ratio	47.4%	49.3%

Definition: Equity in relation to the balance sheet total.

Reason for use: Shows financial potential and independence to develop the business.

Cont. Note 32, Key ratio definitions

Capital employed

	GROUP	
	2019	2018
Shareholders' equity	57,069	58,546
Interest-bearing liabilities	18,208	20,226
Capital employed	75,277	78,772

Definition: Equity plus interest-bearing liabilities.*Reason for use:* Shows the company's ability to meet current capital commitments.**Net debt**

	GROUP	
	2019	2018
Pension liability	510	445
Interest-bearing liabilities finance leases	380	458
Liabilities to credit institutions	17,317	19,323
Cash and cash equivalents	-12,312	-11,590
Net debt	5,895	8,636

Definition: Interest-bearing liabilities including pension liabilities less cash and cash equivalents as well as short-term investments.*Reason for use:* Used to show the net value of interest-bearing assets and interest-bearing liabilities.

Cont. Note 32, Key ratio definitions

Operating cash flow per share

	GROUP	
	2019	2018
Cash flow from operating activities	28,986	21,287
Number of shares, millions	1,655.072	1,655.072
Operating cash flow per share	17.51	12.86

Definition: Cash flow from operating activities for the period divided by the average number of shares.*Reason for use:* This indicator shows cash flow from operating activities per share, which is significant for how the company can finance its investments.**P/E ratio**

	GROUP	
	2019	2018
Price per share at closing day	184.84	167.64
Earnings per share	8.12	7.64
P/E ratio	23	22

Definition: Price per share divided by earnings per share.*Reason for use:* This indicator shows how the profit for the period relates to the price of the shares.**SHARE-RELATED MEASUREMENTS****Equity per share**

	GROUP	
	2019	2018
Shareholders' equity	57,069	58,546
Number of shares, millions	1,655.072	1,655.072
Equity per share	34.48	35.37

Definition: Equity divided by the number of shares.*Reason for use:* This indicator can show over time whether the company is increasing the shareholders' capital.

Signing of the annual report

The undersigned hereby provide an assurance that the annual report and consolidated accounts have been drawn up in accordance with IFRS international accounting standards, as adopted by the EU, with good accounting practice, and that they provide a true and fair view of the group's and the parent company's position and earnings, and also

that the administration report provides a true and fair view of the development of the group's and the parent company's business, position and earnings, and also describe the significant risks and uncertainties faced by the companies making up the group.

Stockholm, 18 February 2020

Stefan Persson
Chairman of the Board

Stina Bergfors
Board member

Anders Dahlvig
Board member

Lena Patriksson Keller
Board member

Christian Sievert
Board member

Erica Wiking Häger
Board member

Niklas Zennström
Board member

Danica Kragic Jensfelt
Board member

Ingrid Godin
Board member

Alexandra Rosenqvist
Board member

Helena Helmersson
Chief Executive Officer

Our audit report was submitted on 18 February 2020

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant



Auditor's report

To the general meeting of the shareholders of H & M Hennes & Mauritz AB (publ), corporate identity number 556042-7220

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of H & M Hennes & Mauritz AB (publ) except for the statutory sustainability report on pages 46–51 for the financial year 1 December 2018 to 30 November 2019. The annual accounts and consolidated accounts of the company are included on pages 39–81 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 November 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 November 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion do not cover the statutory sustainability report on pages 46–51. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter to the right, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit

INCOME TAXES

Description

Accounting for income taxes is subject to complex tax legislation that require interpretations and assessments by H&M. These interpretations may be questioned by various tax authorities and courts. H&M conducts operations in a significant number of countries and tax jurisdictions. The pricing of cross-border transactions and consequently how the taxable profit is distributed between the countries is determined by the transfer pricing model developed by the company. From time to time entities within the company are subject to ongoing tax proceedings that may range from tax audits to tax litigations at multiple levels of the court systems. The company evaluates the expected outcome of tax proceedings in progress on a continuous base. Where it is likely that additional tax will have to be paid and the outcome can be reasonably estimated, necessary provisions are made.

The evaluation of the expected outcome of ongoing tax proceedings requires assumptions and assessments that are complex by nature. Changes in assumptions and assessments may have a material effect on the financial statements, and consequently income taxes are considered a key audit matter.

Information related to the company's accounting for income taxes is found in note 1 (section "Estimates, assumptions and assessments") and note 11 ("Tax").

How our audit addressed this key audit matter

Our audit included, among other things, the following audit procedures:

- Review of the completeness and valuation of the amounts reported as current and deferred tax, among other things by reviewing tax calculations.
- Review of the company's transfer pricing model and evaluation whether the company has complied with the model.
- Review of the company's assumptions and assessments concerning the outcome of ongoing tax proceedings and tax risks. We have included tax professionals as part of our audit.
- Assessment of appropriateness of disclosures provided in the financial statements.

VALUATION OF STOCK-IN-TRADE

Description

As at 30 November 2019 H&M's stock-in-trade amounts to SEK 37,823 million, corresponding to 31 percent of the group's total assets, spread across central warehouses and retail stores. Stock-in-trade is valued at the lower of cost and net realisable value. The net realisable value is the estimated market value less calculated selling expenses.

Estimating the net realisable value requires assumptions and assessments concerning future events which are subject to uncertainty. Calculating the cost of customs duties and freight also requires assumptions. Changes in assumptions and assessments may have a material effect on the financial statements, and consequently valuation of stock-in-trade is considered a key audit matter.

Information related to the company's valuation of stock-in-trade is found in note 1 (the section "Estimates, assumptions and assessments") and note 16 ("Stock-in-trade").

How our audit addressed this key audit matter

Our audit included, among other things, the following audit procedures:

- Review of the company's processes and procedures for stock accounting, including the company's procedures and assumptions used in the calculation of accrued costs for customs duties and freight.
- Review of the reported acquisition cost on a sample basis.
- Analysis of the company's assessment of net realisable value, as well as review of assumptions and calculations for stock obsolescence.
- Review of elimination of internal profits in stock at group level.
- Assessment of appropriateness of disclosures provided in the financial statements.

included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters stated on the previous page, provide the basis for our audit opinion on the accompanying financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4–38 and 86. The board of directors and the managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the managing director

The board of directors and the managing director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the managing director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the board of directors and the managing director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the managing director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the board of directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and the managing director.
- Conclude on the appropriateness of the board of directors' and the managing director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the board of directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the board of directors and the managing director of H & M Hennes & Mauritz AB (publ) for the financial year 1 December 2018 to 30 November 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the board of directors and the managing director

The board of directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The managing director shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the board of directors or the managing director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions

that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the board of directors' proposed appropriations of the company's profit or loss we examined the board of directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's opinion regarding the statutory sustainability report

The board of directors is responsible for the statutory sustainability report on pages 46–51, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of H & M Hennes & Mauritz AB by the general meeting of shareholders on 7 May 2019. Ernst & Young AB and auditors within the audit firm have been elected since before 17 June 1994. Under the current regulations, Ernst & Young AB cannot be reappointed after 16 June 2020.

Stockholm, 18 February 2020

Ernst & Young AB

Åsa Lundvall
Authorized Public Accountant

Annual general meeting

TIME AND PLACE	The 2020 annual general meeting will be held at 3 p.m. on Thursday 7 May 2020 in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna.		
	Shareholders who are registered in the share register printout as of Thursday 30 April 2020 and give notice of their intention to attend the AGM no later than Thursday 30 April 2020 will be entitled to participate in the AGM.		
NOMINEE SHARES	Shareholders whose shares are registered in the name of a nominee must re-register their shares in their own name in order to be entitled to participate in the AGM. In order to re-register shares in time, shareholders should request temporary owner registration, which is referred to as voting right registration, well in advance of 30 April 2020.		
NOTICE OF ATTENDANCE	Shareholders must provide notice of their intention to participate in the AGM by post, telephone or via H&M's website to:	H & M Hennes & Mauritz AB Attn: Annual general meeting SE-106 38 Stockholm Telephone: +46 (0)8-796 55 00, preferably between 08.00-17.00, stating notice of attendance at the AGM hmgroup.com/agm	
DIVIDEND	<p>The board of directors has decided to propose to the annual general meeting on 7 May 2020 a dividend of SEK 9.75 per share for the 2018/2019 financial year. The board of directors proposes that the dividend is to be paid in two instalments during the year – in May and in November.</p> <p>The record date proposed for the first dividend payment of SEK 4.90 per share is 11 May 2020. With this record day, Euroclear Sweden AB is expected to pay the dividend on 14 May 2020.</p> <p>To be guaranteed dividend payment, the H&M shares must have been purchased no later than 7 May 2020. Ex-dividend day is 8 May 2020.</p> <p>The record date proposed for the second dividend payment of SEK 4.85 per share is 10 November 2020. With this record day, Euroclear Sweden AB is expected to pay the dividend on 13 November 2020.</p> <p>To be guaranteed the second dividend payment, the H&M shares must have been purchased no later than 6 November 2020. Ex-dividend day is 9 November 2020.</p>		

Financial information

CALENDAR	H & M Hennes & Mauritz AB will provide the following information:	
3 April 2020	Three-month report	
7 maj 2020	Annual general meeting 2020 in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna at 3 p.m.	
26 June 2020	Six-month report	
1 October 2020	Nine-month report	

Contact details

HEAD OFFICE	H & M Hennes & Mauritz AB, Mäster Samuelsgatan 46A, SE-106 38 Stockholm, Sweden, Telephone: +46 (0)8-796 55 00		
CONTACTS	INVESTOR RELATIONS Nils Vinge COMMUNICATIONS Kristina Stenvinkel GOVERNANCE Liv Asarnoj	For information about the H&M group's various brands see: hm.com cosstores.com weekday.com monki.com stories.com arket.com afound.com sellpy.se	COVER H&M Spring Fashion 2020, photographed by Christian Macdonald. <i>The annual report is printed on FSC® certified paper.</i>
DISTRIBUTION POLICY	The H&M group sends out the printed version of the annual report to shareholders who have specifically expressed an interest in receiving the printed version. The annual report is also available to read and download at hmgroup.com .		







hmgroup.com