

## Work of the board in 2021

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

The following are usually reviewed at each board meeting:

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

The Board of Directors has also met with the auditors of the company without the attendance of the CEO or any other representatives from the company's management.

As in 2020, the external factors that had the greatest impact on 2021 were the Covid-19 pandemic and the consequences of climate change as well as the increasing digitalisation of society. During this very unusual time, flexibility, being responsive, rapid decision-making and working closely with our suppliers were important parameters for the company's recovery. This applied in all parts of the business and particularly within the supply chain, which was affected by various challenges. As always, the customer offering came into focus at the board meetings and during the year there was a review of follow-up and results for the various areas of the business plan and its goals. This included each brand, the store portfolio, continued combination and integration of the store and online sales channels, and the supply chain, with tech and sustainability aspects being considered in all areas. The sustainability work and tech are discussed often within the board since they form an essential foundation for achieving the company's ambitious targets.

Other examples of subjects discussed during the year were cybersecurity, geopolitical challenges, future ways of working etc.

Examples of the brands/functions of the business that presented their work to the board during the year were: H&M brand, portfolio brands, business ventures, sustainability, business tech, customer insight, supply chain and expansion/ store portfolio.

At each board meeting the chair of the audit committee reports to the board on what the audit committee discussed at its latest meeting. This primarily concerns areas such as accounting, IFRS 16 effects, auditing, tax, customs duties, internal control, risk and various new regulations, legislation and directives. All significant risks are then discussed at the subsequent board meeting. 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 and sustainability report, with the auditor also reporting on the year's audit.

As every year, also in 2021 the board took various decisions such as: issuing a sustainability-linked bond for EUR 500 million in order to contribute to our goal to become net-zero; proposals for remuneration guidelines of senior executives that were presented for resolution at the 2021 AGM; the remuneration report that was also presented to the 2021 AGM; a proposed dividend of SEK 6.50 per share and convening an extraordinary general meeting on 28 October 2021 for a resolution on the dividend proposal; decisions concerning the financial statements; an updated finance policy; as well as decisions on the investment plan, growth plan and targets.

At the board meeting held in January 2021 the board of directors decided that the company'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 function) for work on internal control, but has instead established its own model for managing the company's risk and internal control (see pages 49–50), once a year the board assesses the need for a separate internal audit function. In 2021 the board again reached the conclusion that the present model for monitoring internal control is satisfactory.

Ahead of the AGM the board presented a remuneration report for 2020 in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board. The remuneration report describes how the guidelines for remuneration in H&M adopted at the 2020 AGM were applied in the 2020 financial year. The remuneration report for 2020 can be found on [hmgroup.com/annual-general-meeting-2021/](https://www.hmgroup.com/annual-general-meeting-2021/).

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, as is entirely in accordance with requirement 9.2 of the Code. It is the board that prepares the proposed guidelines for remuneration to senior executives that are presented at the AGM's, and it is the board that decides on the CEO's salary in accordance with the guidelines most recently adopted at the general meeting. The board continually assesses the CEO's work and once a year discusses this matter separately in conjunction with the setting of 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, and the chair of the board is in regular contact with the board members between meetings as part of the board's work and its evaluation process. Among other things this evaluation covers working methods, the working climate, wishes and 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 a tool for developing how the board works and also forms a basis for the work of the nomination committee.