

Corporate governance report

Effective corporate governance ensures companies are managed as sustainably, responsibly, and efficiently as possible in the interests of their shareholders.

For H & M Hennes & Mauritz AB (H&M Group or H&M), this means ensuring compliance with external regulations, supported by the use of important tools such as company values, global policies and guidelines. H&M Group conforms to the Swedish Corporate Governance Code (the Code), as detailed below.

The company's ethics policy, Code of Ethics, which must be signed by all employees who interact with suppliers, clearly states H&M Group's approach to doing business. H&M Group operates across multiple markets, each with their different laws, environmental requirements, social conditions, and challenges. These varied contexts underline the importance of acting consistently guided by a strong ethical compass.

H & M Hennes & Mauritz AB is a Swedish public limited company. The company's class B shares are listed on Nasdaq Stockholm.

This report covers the financial year from 1 December 2022 to 30 November 2023 (the 2023 financial year). This report is prepared in accordance with the Code and the Swedish Annual Accounts Act and has been examined by the company's auditors.

EXTERNAL & INTERNAL GOVERNANCE

H&M Group's corporate governance operates in accordance with external regulations, international frameworks, and internal control documents. It is founded on the company's values and a corporate culture that emphasises simple, straightforward, cost-conscious, entrepreneurial business practices, teamwork, a belief in people, and a drive for constant improvement. Sustainability is core to H&M Group and is integrated into all parts of the business.

Examples of external regulations and frameworks include:

- Accounting legislation, including the Swedish Bookkeeping Act and Annual Accounts Act
- The EU Market Abuse Regulation (MAR)
- Nasdaq Stockholm Rules for Issuers
- The General Data Protection Regulation (GDPR)
- The Swedish Companies Act
- The Swedish Corporate Governance Code (the Code)
- The Global Reporting Initiative (GRI)
- The UN Guiding Principles Reporting Framework
- The Task Force on Climate-related Financial Disclosures (TCFD)
- The COSO framework

With specific regard to sustainability, H&M Group reports against existing and evolving legislation, including policies developed by the European Union, Germany (Supply Chain Due Diligence Act), Norway and the UK. For more information, see hmgroup.com/sustainability and our Sustainability Disclosure.

Examples of internal control documents include the company's:

- Articles of association
- Board rules of procedure, including instructions for the CEO and the Audit Committee
- Corporate Governance Policy, including the Internal Control Framework
- The Ethics Policy "Code of Ethics"
- Communications Policy
- Data Privacy Policy
- Environmental Policy
- Financial Policy
- Human Rights Policy
- Insider Policy
- "Our way" document, which details H&M Group's culture, values, policies, and guidelines
- Responsible Business Conduct Policy
- Social Policies
- Sustainability Commitment
- Tax Policy
- Whistleblowing Policy

Corporate governance in Sweden

H&M Group has applied the Code since 2005. 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 explain how they have deviated from the Code, provide the reasons for the deviation and describe the alternative approach they have adopted. The full Code is available at corporategovernanceboard.se.

Listed companies in Sweden must be aware of the following aspects of corporate governance:

- The Nomination Committee plays a key role. Unlike the Anglo-American system, members of the Nomination

Committee are appointed by the company's largest shareholders. The Nomination Committee proposes the size of the Board of Directors and who should be elected to the Board at the annual general meeting (AGM) of shareholders. Board members are elected by all shareholders eligible to vote at the AGM. This means the Nomination Committee has a decisive influence over who is elected to the Board. The Nomination Committee also recommends the appropriate level of board fees, as well as fees to the company's auditor. The process for appointing members to the Nomination Committee is decided by the AGM.

- Swedish law states that board members are appointed to represent the interests of all shareholders. If a large shareholder proposes a new member via the Nomination Committee, that board member is required to represent the interests of all shareholders and not just those of the shareholder(s) that nominated them.
- For many decades, Swedish enterprise in general has viewed it as positive for the CEO and other board members elected by the general meeting to own shares in the company they operate in. This is regarded as a guarantee that the interests of the Board are aligned with the interests of all shareholders to maintain and increase the share price, manage the company's risks, and maximise opportunities.
- Neither the Code nor the Swedish Companies Act impose any restriction on the age or length of service of board members. There is also no time limit beyond which an independent board member is no longer considered independent of the company or its principal owners.
- The Code stipulates that at least one of the company's auditors is to attend the AGM and it is common practice in Sweden for the company's chief auditor to attend. The auditors are deemed to act as the control body for the Board on behalf of all shareholders. As a result, shareholders can pose questions to the auditors at the AGM irrespective of the size of their shareholding.
- The option of having different classes of shares has been present in the Swedish Companies Act for a long time and is widely used. These different share classes — usually referred to as class "A / B / C" shares — often have different voting rights and sometimes have different rights with respect to dividends.
- By law, employees have the right to appoint employee representatives to the Board of large companies. All board members are invited to the same meetings, receive the same information, and have the same voting rights. Board fees are paid only to members elected at the AGM.

During the 2023 financial year H&M Group did not deviate from the Code.

Ethics, transparency, and risk management

It is of the utmost importance for H&M Group to always act ethically, transparently, and responsibly across all parts of the business — from collaborating with suppliers to meeting with customers. Good procurement practices and close cooperation with suppliers are essential to ensuring that the company's products are always produced with consideration for people and the environment.

H&M Group has a long tradition of transparent reporting, supply chain disclosure, and helping its customers to make more informed choices. The company believes that transparency is key to driving positive change within the industry. By enabling comparability, transparency helps customers make informed choices and incentivises companies to innovate and improve.

A lack of industry tools and an uncertain legal landscape have stoked industry-wide insecurity about making sustainability claims. To tackle this uncertainty, H&M Group is helping shape tools to assess and benchmark sustainability performance in the industry, and legislation to create a framework for measuring product environmental impacts.

H&M Group is committed to continually improving the comparability and quality of the data, systems and calculations it uses, together with industry partners and all relevant stakeholders. H&M Group's commitment to transparency is set out in more detail in the company's Sustainability Disclosure at hmgroup.com/sustainability.

Responsibility for management and control is shared between the company's shareholders, the Board, the Audit Committee, and the CEO. The Board's rules of procedure state how this work is shared between the various parties. The Board is ultimately responsible for the company's organisation and administration, with the Audit Committee ensuring, amongst other things, the effectiveness of internal control and risk management processes. The CEO is responsible for ongoing management of the business.

H&M Group's risk management and internal control processes ensure the company is compliant with relevant legislation and has control over its risk exposure.

The executive management team, each brand, and every group function review risks on a quarterly basis. The Board of Directors and the Audit Committee receive regular feedback from the organisation concerning these processes.

The purpose of the recurring risk review is to ensure each listed group risk remains within an acceptable risk level and that there is an action plan in place to minimise the potential impact. The evaluation of the business impact of a risk determines the level of actions to be taken to reduce and mitigate the likelihood and impact of the risk. This process continuously informs the company's long-term commercial decisions.

Climate risks has been identified as part of the company's most significant risks (see the company's TCFD Report, page 24). The Board monitors implementation of strategies within the sustainability area and initiates changes and updates where needed. These procedures and governance mechanisms

enable the Board to closely monitor the company's sustainability and climate-related performance, and to ensure sufficient management focus and resource allocation.

The head of sustainability reports directly to the CEO and provides biannual updates on the company's sustainability key performance indicators (KPIs) to the Board of Directors and quarterly updates to the CEO and CFO. Quarterly reports cover KPIs, key challenges, learnings, and activities, facilitating visibility of impacts, achievements and challenges across functions, brands, and markets.

Further reading

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

Here you will find, among other things:

- Articles of association
- Information and material from previous AGMs and Extraordinary General Meetings
- Information about standards and policies
- Information about the Board of Directors, CEO, auditors, and Audit Committee
- Information on the Nomination Committee
- Risks and uncertainties
- Previous Corporate Governance reports

In line with forthcoming regulatory changes such as the Corporate Sustainability Reporting Directive and to ensure a more harmonised Annual and Sustainability Report, H&M Group has decided to integrate reporting on corporate governance into the Administration Report. The Corporate Governance report will also be available as a standalone document at hmgroup.com/investors/reports/.

H&M GROUP'S GOVERNANCE STRUCTURE

H&M Group's corporate governance structure encompasses the shareholders, the Board of Directors, the Audit and Nomination Committees, the company's auditors, the CEO and executive management team, individual business areas organised by brand, employees, and employee organisations.

H&M Group's shareholders have overall responsibility for the company's direction. They appoint the Board of Directors and the chair of the Board at the AGM based on proposals from the Nomination Committee. Proposals for the composition of the Board, board fees and the election of auditors are prepared in advance by the Nomination Committee.

The Board includes three employee representatives. Each also has a deputy. The representatives and their deputies are all chosen by their respective employee organisations.

The Board selects individual members to serve on an Audit Committee. The committee oversees accounting and auditing matters, including thereto related risk and internal control matters. The committee is the main channel of communication between the Board and the auditors.

The Board is also responsible for appointing the CEO to oversee day-to-day management and administration of the company and implementation of the company's sustainability vision. The CEO appoints members of the executive management team. Accountability for implementation and performance against the company's strategies, policies, and goals in all areas, including sustainability, is the responsibility of the respective business functions and brands, and forms part of their performance review with the CEO.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of H&M Group have the final decision on the company's governance. Shareholders vote at the general meeting to adopt the articles of association, which determine what the business will focus on, and to appoint the Board of Directors and its chair, whose task is to administer the company's affairs on behalf of the shareholders. The shareholders at the general meeting also elect auditors and decide on the composition of and instructions for the Nomination 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 Group's annual general meeting (AGM) is held once a year, in late April or early May.

The date and venue are announced in conjunction with H&M Group's nine-month report, as well as at hmgroup.com. The notice of the meeting is published four to six weeks before the meeting as a press release and in the newspaper *Post- och Inrikes Tidningar* and at hmgroup.com. Publication of the notice is announced by an advertisement placed in the newspapers *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 in accordance with the total numbers 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. An email address for H&M Group is also provided in the press release for the notice of the meeting, for shareholders who wish to submit their questions in advance. All the material related to the meeting, including the minutes of the meeting, is available on the company's 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 chair of the Board
- Board fees, including the compensation paid to members for work on the Audit Committee
- Discharging members of the Board and the CEO from liability
- Amendments to the articles of association
- The election of the auditors
- The adoption of the income statement and balance sheet
- The distribution of the earnings for the past financial year
- The resolution on composition of and instructions for the Nomination Committee
- Guidelines for remuneration to senior executives

Articles of association

According to H&M Group's articles of association, H&M's Board of Directors is to consist of at least three and no more than 12 members elected by the general meeting and no more than the same number of deputies. The AGM 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 AGM. The general meeting also decides on amendments to the articles of association.

Annual General Meeting 2023

H&M Group's 2023 AGM was held on 4 May 2023 in the Erling Persson Hall, Aula Medica in Solna. The option of postal voting was also provided.

A total of 1,320 shareholders were represented at the meeting, representing 89.5 percent of the votes and 76.9 percent of the capital.

The main resolutions passed were as follows:

- The lawyer Andreas Steen was elected as chair of the meeting.
- Balance sheets and income statements were adopted for H&M and for the group.
- The dividend would be paid to shareholders in two instalments, the first payment on 8 May 2023 (SEK 3.25 per share) and the second payment on 10 November 2023 (SEK 3.25 per share). The remainder of the company's earnings would be carried forward.

- The board members and the CEO were discharged from liability for the 2021/2022 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, Danica Kragic Jensfelt, Lena Patriksson Keller, Christian Sievert, Niklas Zennström and Karl-Johan Persson. Christina Synnergren was elected as new board member.
- Karl-Johan Persson was re-elected as the chair of the Board.
- The board fees proposed by the Nomination Committee were approved as follows: chair of the board SEK 1,850,000; board members elected by the AGM SEK 800,000; members of the Audit Committee an additional SEK 200,000; and the chair of the Audit Committee an additional SEK 300,000.
- Deloitte AB was appointed as the auditors until the close of the 2024 AGM. Auditors' fees are to be paid based on approved invoices.
- The Board's remuneration report was approved.
- A reduction in the share capital, for allocation to non-restricted equity, was approved through the cancellation of the 25,385,163 class B treasury shares repurchased within the framework of H&M Group's buyback programme, resulting in a reduction of the share capital of SEK 3,173,145.375. To restore the share capital, the AGM simultaneously resolved to increase the share capital by SEK 3,173,145.375 through a bonus issue without issuing new shares, with the amount of the reduction being transferred from non-restricted equity.
- The Board was authorised to make decisions concerning the purchase of own Series B shares on as many occasions as it deems appropriate in the period up to the 2024 AGM for a total amount not exceeding SEK 3 billion.

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

YEAR	% OF VOTES	% OF CAPITAL
2018	82.3	63.6
2019	84.6	68.4
2020	86.7	72.7
2021	87.8	74.9
2022	87.8	75.0
2023	89.5	76.9

Number of shareholders and ownership structure

At the end of the 2023 financial year, H&M Group had 225,356 shareholders. The total number of shares in H&M Group is 1,629,686,837, of which 194,400,000 are class A shares with 10 votes per share and 1,435,286,837 are class B shares with one vote per share.

H&M Group's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 57.5 percent of the votes, as well as 708,744,122 (653,093,901) class B shares, representing 21.0 (19.2) percent of the votes. In addition, the family privately own 36,400,289 class B shares. This means that as of 30 November 2023, Stefan Persson and family privately and via Ramsbury Invest AB represent 79.7 (77.3) percent of the votes and 57.7 (53.4) percent of the total number of shares. Ramsbury Invest 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.

A class A share has greater voting power at the company's general meetings. All the shares have the same dividend entitlement and share in the company's assets. Since the company was first listed on the stock exchange in 1974, all the class A shares in H&M Group have belonged to the founding Persson family. This is common when family-owned businesses are floated on the stock exchange since it allows the founding family to have a controlling interest. The division into class A and class B shares is set out in H&M Group's articles of association, providing transparency to those considering buying shares in H&M Group.

Annual General Meeting 2024

H&M Group's AGM in 2024 will be held on Friday, 3 May 2024. To register to attend the 2024 AGM, see the notice of the meeting at hmgroup.com/agm.

AUDITORS

The auditors are independent and appointed by the shareholders at the AGM. They are responsible for:

- Auditing and examining H&M Group's Annual and Sustainability Report, consolidated financial statements and accounts, ensuring these have been prepared in accordance with current laws and recommendations.
- Reviewing the management of H&M Group by the Board and the CEO.
- Ensuring compliance with the guidelines on remuneration to senior executives adopted by the AGM.

The accounting firm Deloitte AB (Deloitte) was elected as auditors for H&M Group at the 2023 AGM. The firm was appointed for a one-year term ending at the 2024 AGM. Authorised public accountant Didrik Roos from Deloitte has overall responsibility for the audit.

As in previous years, the 2023 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 11 of the Annual and Sustainability Report for 2023.

Deloitte is a member of a global network used by H&M group companies for auditing purposes and meets H&M Group's requirements with respect to competence and geographic coverage. The auditors' independent status is guaranteed by legislation and professional ethics, the accounting firm's internal guidelines, and the fact that non-auditing assignments must be approved in advance by the Audit Committee. Didrik Roos also acts as auditor to Axfood AB, Boozt AB and Tele2 AB.

The auditors attend all meetings of the Audit Committee. Didrik Roos also attended the January 2023 board meeting to notify the Board of the scope and focus of the 2021/2022 audit, as well as any significant considerations arising from the audit.

In addition to this involvement, the auditors regularly meet with the chair of the Board, the chair and other members of the Audit Committee, the executive management team, and other key individuals. The auditors also take part in the AGM, reporting to all shareholders on the outcome of the audit.

Alongside its mandate as elected auditors, Deloitte has provided other services, such as limited assurance of the Sustainability Disclosure and consulting work, primarily tax advice. Deloitte has internal processes to ensure its independence before embarking on these assignments. The Audit Committee also has a process for approving non-auditing services before commencement.

The Audit Committee evaluates the auditors annually to confirm the auditors' objectivity and independence.

BOARD OF DIRECTORS

The Board of Directors' role is to manage H&M Group's affairs in the interests of the company and all its shareholders, and to safeguard and encourage a good corporate culture. This means that the Board has the overall responsibility for the company's administration, taking a long-term, sustainable approach with a focus on the customer offering and growth.

In addition to legislation and recommendations, the work of the Board is regulated by the Board's rules of procedure which contain rules on the distribution of work between the Board, its committees, and the CEO as well as on financial reporting, investments, and financing. The rules of procedure, which also include the procedure for the Audit Committee, are updated as needed but are established at least once a year.

Composition of H&M Group's Board and independence of its members

The board members are elected by the shareholders at the general meeting, normally at the AGM and for the period up to and including the next AGM. Since the 2023 AGM the Board has consisted of eight ordinary members, with no deputies, as well as three employee representatives and three deputies for

these positions. Only the employee representatives and their deputies are employed by the company. Since the 2023 AGM the Board has consisted of the following members elected by the general meeting: Karl-Johan Persson (chair), Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Christian Sievert, Christina Synnergren and Niklas Zennström. Tim Gahnström, Ingrid Godin and Louise Wikholm are the regular employee representatives, with Ramon Horvath, Agneta Gustafsson, and Margareta Welinder as their deputies. For more information about H&M's board members see pages 7-9.

Board members are required to devote the time and attention that their position on the Board demands. New members receive introductory training that includes meetings with the heads of the various brands and functions.

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

Employee organisations

Under Swedish law, employees in large companies 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 three board members and three deputies to the H&M Board.

Board profiles



KARL-JOHAN PERSSON

Chair of the board.

Born 1975.

Primary occupation Chair of the Board of Directors of H&M Group.

Other significant board assignments Member of the boards of Ramsbury Invest AB, the GoodCause Foundation and the H&M Foundation.

Education BA in business administration from the European Business School, London.

Professional experience
2001–2004 CEO of European Network.
2005–2009 Operational executive roles within H&M Group, including within expansion, business development and new business.
2009–2020 CEO of H&M Group.
2020– Chair of the Board of H&M Group.



STINA BERGFORS

Board member.

Born 1972.

Primary occupation Entrepreneur and board assignments.

Other significant board assignments Member of the boards of Carlssons Skola, Handelsbanken and Tele2. 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.
2014–2020 Founder and CEO, and later business development, at United Screens.



ANDERS DAHLVIG

Board member and member of the Audit Committee.

Born 1957.

Primary occupation Board assignments.

Other significant board assignments Chair of Inter IKEA Holding BV and member of the board of Oriflame SA.

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.



CHRISTIAN SIEVERT

Board member and chair of the Audit Committee.

Born 1969.

Primary occupation CEO of 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 Stockholm School of Economics, 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 AB Max Sievert.



CHRISTINA SYNNERGREN

Board member.

Born 1978.

Primary occupation Christina has chosen to leave BCG and her employment ended before the AGM 2023.

Other significant board assignments No other significant board assignments.

Education MSc in economic and business from Stockholm School of Economic.

Professional experience Christina has 20 years of experience from management consulting firm BCG (Boston Consulting Group), most recently as Managing Director and Senior Partner. She has also held several other leadership positions within BCG, including roles in the global Fashion & Luxury and Retail leadership teams, as well as being a member of BCG's Executive Committee — the decision-making body responsible for managing the entire firm globally.



NIKLAS ZENNSTRÖM

Board member.

Born 1966.

Primary occupation CEO of venture capital company Atomico, which focuses on fast-growing technology 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.



LENA PATRIKSSON KELLER

Board member.

Born 1969.

Primary occupation Executive chair at branding and communications agency Patriksson Group AB.

Other significant board assignments Member of the boards of Elite Hotels, Wanås Art Foundation, Jeanerica AB and Maria Nilsson AB. 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 chair, Patriksson Group AB.



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

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.

Employee representative profiles



INGRID GODIN

Employee representative, on the H&M Group Board since 2012.

Born 1959.

Employed since 2002.

Current position Warehouse worker, Eskilstuna DC.



AGNETA GUSTAFSSON

Deputy employee representative, on the H&M Group Board since 2022.

Born 1969.

Employed since 1988.

Current position Sales advisor, H&M Jönköping.



LOUISE WIKHOLM

Employee representative, on the H&M Group Board since 2021.

Born 1980.

Employed since 2014.

Current position Project manager, Customer Activation & Marketing H&M.



TIM GAHNSTRÖM

Employee representative, on the H&M Group Board since 2021.

Born 1979.

Employed since 2015.

Current position Solution architect (Business Tech).



RAMON HORVATH

Deputy employee representative, on the H&M Group Board since 2023.

Born 1979.

Employed since 2020.

Current position Data Engineer, AIAD, Business Tech.



MARGARETA WELINDER

Deputy employee representative, on the H&M Group Board since 2007.

Born 1962.

Employed since 2000.

Current position Omni-buyer, H&M.

Number of board meetings

H&M Group normally holds six regular board meetings during the financial year, one of which is the statutory board meeting. Extraordinary board meetings are held when the need arises. The CEO attends all board meetings, except 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 ahead of each board meeting the Board is given relevant and objective information on which to base its decisions.

The CFO also attend the board meetings to provide financial information. The Board is assisted by a secretary who is not a member of the Board. During they year the board held six meetings. The attendance during the board meetings was, like in previous years, very high, see the attendance for each board member in the table on page 11.

Board members and 2023 meetings

The Board of Directors has eight members elected at the AGM, four women and four men, and three employee representatives supported by three deputies appointed by employee organisations in accordance with Swedish law. In total, the Board has 14 members – eight women and six men.

The composition of the Board exhibits breadth and diversity and ensures significant complementarity between the board members' different areas of expertise. Their experience in areas such as retail, entrepreneurship, fashion, digitalisation, AI, advanced analytics and automation, sustainability and communication forms a strong basis for effective and highly productive discussions with the CEO and management.

Of the six board meetings held in 2023, one was a constituent meeting in connection with the annual general meeting. Attendance has been very high during all meetings. The CEO and the CFO also attended all the meetings.

Generally, one or more departments or brands are invited to each meeting to give a status presentation concerning the work of their function or brand. These presentations act as a complement to the CEO's status reports, providing an opportunity for more in-depth discussions concerning specific areas of operation. Each board meeting also includes a summary of the matters addressed by the Audit Committee at its most recent meeting within areas such as accounting, audit, security, tax, internal control, and risk, as well as various new regulations and legislation.

Work of the Board in 2023

H&M Group's board meetings are generally structured as shown below. This is supplemented by one or more business presentations.

The following are usually reviewed at each board meeting:

- Minutes of the previous meeting
- The CEO's status report and report by the CFO
- Strategic matters

- Feedback from the latest Audit Committee meeting
- Financial reporting such as the interim report, full-year report, and the Annual and Sustainability Report
- Any other business

With the geopolitical and macroeconomic situation remaining challenging in 2023, its effects on H&M Group's operations formed a key part of the Board's work during the year. Among other things, this involved how H&M Group has been navigating inflation, rising interest rates, the competitive landscape, digitalisation, and climate matters across areas such as customer offerings and pricing, the supply chain, the store portfolio and omni-channel business, sustainability, technology and AI, as well as communication. Developments within the group's brands and business areas are continuously monitored at the meetings, for example by various representatives from the company presenting the work of their respective areas to the Board. The development of the global programme to reduce costs and improve efficiency within the organisation was discussed.

Matters reviewed at the Audit Committee meeting and then by the Board primarily concern areas such as accounting, IFRS 16 effects, audit, tax, customs duties, internal control, risk, and various new regulations, legislation and directives. All significant risks are then discussed at a subsequent board meeting.

The Board goes through interim financial reports before they are published at four meetings in the year. At the January meeting, the Board discusses the Annual and Sustainability Report and the auditors' reports on the year's audit. The Board also meets with the company's auditors without the CEO or other representatives of executive management being present.

In 2023 the Board took various decisions, including approving a SEK 3 billion share buyback programme based on authorisation from the AGM, a proposed dividend of SEK 6.50 per share, a green bond, the remuneration report and decisions concerning the financial statements, as well as deciding on an investment plan, a growth plan and targets.

Since H&M Group 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 15-28), once a year the Board assesses the need for a separate internal audit function. In 2023, 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 2022 in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Stock Market Self-Regulation Committee. The remuneration report describes how the guidelines for remuneration within H&M Group adopted at the 2021 AGM were applied in the 2022 financial year. The remuneration report for 2022 is available at [hm.com](https://www.hm.com).

H&M Group does not have a remuneration committee since the Board of Directors deems it more appropriate for the entire board to carry out the tasks of a remuneration committee, which is entirely in accordance with requirement 9.2 of the Code. The Board prepares the proposed guidelines for remuneration to senior executives that are presented at the AGM, and it is the Board that decides on the CEO's salary in accordance with the latest guidelines adopted at the AGM. The Board continually assesses the CEO's work and once a year discusses this matter alongside 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 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

COMPOSITION OF THE BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS IN THE 2023 FINANCIAL YEAR

NAME	YEAR ELECTED	INDEPENDENT ¹	INDEPENDENT ²	FEES (SEK) ³	BOARD MEETINGS ⁴	AUDITING COMMITTEE	SHARE-HOLDINGS ⁵	SHARES HELD BY RELATED PARTIES
Karl-Johan Persson, Chair	2020	Yes	No	1,800,000	6/6		12,136,289	Shareholder in Ramsbury Invest AB ⁶
Stina Bergfors	2016	Yes	Yes	775,000	6/6		9,000	6,000 ⁷
Anders Dahlvig	2010	Yes	Yes	975,000	6/6	5/5	17,510	
Danica Kragic Jensfelt	2019	Yes	Yes	775,000	6/6		2,500	120
Lena Patriksson Keller	2014	Yes	Yes	775,000	6/6			1,200 and 9,450 ⁸
Christian Sievert	2010	Yes	No ⁹	1,055,000	6/6	5/5	81,000	19,000 and 2,400 ¹⁰
Christina Synnergren ¹³	2023	Yes	Yes		4/4		34,475 ¹¹	
Erica Wiking Häger ¹³	2016	Yes	Yes	975,000	2/2	2/2		750 ¹²
Niklas Zennström	2014	Yes	Yes	775,000	6/6		72,700	
Ingrid Godin, employee rep.	2012				6/6			60
Louise Wikholm, employee rep.	2021				6/6			
Tim Gahnström, employee rep.	2021				5/6			
Agneta Gustafsson, deputy employee rep.	2022				6/6			
Ramon Horvath ¹⁴ , deputy employee rep.	2023				1/6		210	20
Margareta Welinder, deputy employee rep.	2007							

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 2022 AGM. This means that the fees related to the period until the next AGM, i.e. for the period 4 May 2022 to 4 May 2023. The amounts were paid out after the 2023 AGM.

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

5) There is no outstanding share- or share price-related incentive programme for the Board of Directors.

6) Ramsbury Invest AB owns 194,400,000 class A shares and 708,744,122 class B shares as of 30 November 2023.

7) 6,000 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) Christina Synnergren purchased shares during February 2024.

12) 750 shares owned through Erica Wiking Häger's company Erica Wiking Häger Advokataktiebolag.

13) Erica Wiking Häger left the board at the annual general meeting in May 2023 and Christina Synnergren was elected as a new board member.

14) Ramon Horvath replaced Hampus Glanzelius during the spring 2023 as deputy employee representative.

a tool for how the Board is to operate and additionally forms a basis for the work of the Nomination Committee.

Nomination Committee

The Nomination Committee prepares information for decisions at the general meeting concerning the election of the Board of Directors, the chair of the Board, the auditors and the chair of the annual general meeting, fees to the Board and auditors, and instructions for the Nomination Committee. The Nomination Committee's proposal for the composition of the Board considers diversity and breadth with regard to expertise, experience, background and gender balance. It also takes into consideration the company's stage of development and future focus.

Before each AGM the Nomination Committee's report is available to read as a separate document at hmgroupp.com/corporategovernance. The composition of the Nomination Committee is based on the instructions for the composition of the Nomination Committee adopted at the 2022 AGM, which apply until a general meeting of shareholders resolves otherwise. In accordance with the instruction, the Nomination Committee is, appointed based on the principle that the Nomination Committee is to consist of the chair of the Board plus four others nominated by the four largest shareholders in terms of voting rights, as recorded in the register of shareholders on the last banking day of August. In autumn 2023, the nomination committee thus consisted of:

- Karl-Johan Persson, chair of the Board
- Stefan Persson, Ramsbury Invest AB
- Lottie Tham
- Joachim Spetz, Swedbank Robur Fonder
- Karin Eliasson, Handelsbanken Fonder

The Nomination Committee meets the requirements of the Code regarding the independence of members. Stefan Persson chairs the Nomination Committee, in accordance with the rules in the Nomination Committee's instructions which state that the chair of the Nomination Committee shall be the member representing the largest shareholder unless the Nomination Committee appoints another person. The Nomination Committee unanimously decided that in view of H&M Group's ownership structure, Stefan Persson in his capacity as principal shareholder is the natural choice to chair H&M Group's Nomination Committee.

Work of the Nomination Committee in preparation for the 2023 AGM, including description of diversity policy for the Board of Directors

Before the 2023 AGM the Nomination Committee held two meetings at which minutes were taken. The committee was also in contact at other times. As a basis for its work to analyse

the composition of the Board ahead of the 2023 AGM, the Nomination Committee studied the report by the chair of the Board on the work of the Board of Directors. The Board's work has functioned well over the course of the year, with great commitment from the individual members. The report by the chair of the Board, along with interviews conducted with board members elected by the general meeting, also informed the Nomination Committee's proposal to the 2023 AGM regarding the composition of the Board. The different competencies of board members are complementary, which contributes to a good whole. All the members attended all the board meetings and showed great commitment, both at and between the meetings.

The Nomination Committee endeavours to ensure that the Board consists of individuals with a high level of expertise and integrity, while at the same time ensuring that the Board has a good and appropriate mix of experience and expertise in order to meet H&M Group's present and future opportunities and challenges. The Nomination Committee's proposal to the 2023 AGM was to re-elect the following board members: Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Karl-Johan Persson, Christian Sievert, and Niklas Zennström; and to elect Christina Synnergren as a new board member, as her expertise and background are seen as contributing valuable input to the work of the Board. The proposal for a new member coincided with Erica Wiking Häger having asked to step down from the Board because Mannheimer Swartling Advokatbyrå, where Erica Wiking Häger is a partner, has adopted stricter policies regarding external board assignments. The Nomination Committee also proposed the re-election of Karl-Johan Persson as chair of the Board.

The Nomination Committee judged that the proposed board complied well with section 4.1 of the Code, which the Nomination Committee uses as the standard in relation to diversity policy. The policy aims to ensure that the proposed board exhibits the required diversity and breadth of qualifications, experience, and background, as well as gender balance. H&M Group's Board has had a good gender balance for many years. The board members proposed, and subsequently elected by the meeting, consisted of four women and four men. The Board thus achieves the long-term 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.

The proposed board composition was considered to more than satisfy the requirements in terms of expertise and experience, taking into account the company's operations and future development. The proposal was considered to meet the applicable requirements regarding the independence of board members, their stock market experience and their expertise in accounting and auditing.

In its proposal to the AGM, the Nomination Committee carefully reviews each board member's expertise, experience, contribution to the work of the Board over the past year,

potential conflicts of interest etc. To decide whether a member is independent, an overall assessment is to be made of all circumstances that might call into question the member's independence of the company and its management. Rule 4.4 of the Code states at least seven different circumstances are to be considered here. At least two of the board members who are independent of the company and its management must also be independent of the company's major shareholders. To decide whether a board member is independent, the extent of the member's direct and indirect relationships with the major shareholder are to be considered in the assessment. A board member who is employed by or is a board member of a company that is a major shareholder is not to be considered independent.

Regarding the composition of the Audit Committee, section 7.2 of the Code states that the majority of the committee's members are to be independent of the company and its management. At least one of the board members who is independent of the company and its management must also be independent of the company's major shareholders. The chair of H&M Group's Audit Committee is independent of the company and its management, as are the other member of the committee. One of the two members is also independent of the company's major shareholders. There is nothing in the Code stating that the chair of the committee must be independent of major shareholders.

Between the 2023 AGM and the end of the 2023 financial year the Nomination Committee held one meeting at which minutes were taken. The committee was also in contact at other times. In autumn 2023, the Nomination Committee began its review, starting with information from the chair of the Board concerning the functioning of the Board during the year. During the autumn, the Nomination Committee conducted interviews with board members elected by the general meeting. It was established that the Board has functioned well and fulfilled its work effectively. In the period up until the proposals to the 2024 AGM are presented, the Nomination Committee will discuss the size and composition of the Board based on such factors as expertise, experience and the outlook for the company, the election of a chair of the Board and a chair of the general meeting, fees for board members, the composition of and instructions for the nomination committee, and the election of auditors. The Nomination Committee's work in preparation for the AGM in May 2024 is not yet complete; more information will be presented before and at the 2024 AGM.

Audit Committee

The Audit Committee oversees H&M Group's financial reporting, including compliance with legal requirements on statutory sustainability reporting, and the effectiveness of the company's risk management and internal control, ensuring impacts, risks and opportunities are appropriately managed — including those related to sustainability. The committee oversees all auditing topics and publication of company financial reports. The Audit Committee also assists the

Nomination Committee with any proposals to the AGM concerning the election of auditors.

The Audit Committee reviews and monitors the impartiality and independence of the auditors and determines which assignments the accounting firm may conduct for H&M Group in addition to the audit. The auditors provide an annual written statement to the Audit Committee providing assurance of the auditors' independence and outlining which additional services the accounting firm has provided to H&M Group during the financial year.

The Audit Committee comprises two board members with expertise in accounting or auditing. The Audit Committee is appointed annually by the Board of Directors at the statutory board meeting held in conjunction with the AGM. Since the 2023 statutory meeting, Christian Sievert has served as chair of the Audit Committee and Anders Dahlvig as a member. Both are independent of the company and its management. Christian Sievert is not considered independent of the company's major shareholders, specifically Ramsbury Invest AB, since Ramsbury Invest AB is a major shareholder in a company of which Christian Sievert is CEO. Anders Dahlvig is independent of the company's major shareholders.

The committee held five minuted meetings during the 2023 financial year.

The company's auditors attended all meetings of the Audit Committee and provided a report to the committee on their review of H&M Group's annual report and financial statements, including the consolidated financial statements.

The meetings were also attended by, among others, the CFO, the chief accountant, the head of investor relations¹ and the head of corporate governance. Minutes from the committee's meetings were distributed to all board members.

During the year the Audit Committee addressed the following matters, among others:

- The company's financial reporting, including interim reports, and the Corporate Governance report as part of the Annual and Sustainability Report.
- Compliance with H&M Group's internal control and risk management processes and review of its overall risk analysis, including sustainability risks.
- Information provided by the following functions and departments on their work: People & Organisational Development; Security; Growth; Accounting and Tax; Supply Chain; and Business Tech, including specific topics on Cyber Security.
- The transfer pricing model, tax matters and matters relating to customs.

¹⁾ The head of investor relations attended the meetings in June, September, and November 2023.

- Follow-up on previous discussions on privacy, including GDPR.
- Follow-up on H&M Group policies.
- Information provided by Deloitte on the audit plan, the scope of the audit and the results of the review.
- Review of the auditors' independence and impartiality. The Audit Committee agreed it was clear which assignments Deloitte had taken on in addition to auditing and found no reason to question the accounting firm's impartiality.

The Audit Committee has an established routine to review and approve any non-auditing services provided by the auditors before work begins. H&M Group also uses consulting services from other accounting firms and tax advisors.

CEO

The CEO is appointed by the Board of Directors and reports to the Board on H&M Group's development.

The CEO is responsible for the daily management of the company as directed by the Board. This includes:

- Recruitment of senior executives
- Buying and logistics matters
- The customer offering
- Pricing strategy
- Sales and profitability
- Sustainability
- Marketing
- Company growth and expansion
- Digital development
- Development and further integration of the store and online channels

The CEO is required to make the necessary preparations to enable all commercial decisions, including on investment and company expansion. The role of CEO includes contact with financial markets and investors, the media, and regulatory authorities.

Helena Helmersson, born in 1973, was CEO between 30 January 2020 and 31 January 2024. The board of directors of H & M Hennes & Mauritz AB appointed Daniel Erv r, head of H&M, on 31 January 2024 as new President and CEO for H&M Group. He succeeds Helena Helmersson who decided to step down as CEO and leave H&M Group.

Daniel Erv r, born in 1981, has worked within H&M Group for 18 years in various roles in different parts of the company, most recently as head of H&M, which is the largest brand within H&M Group. Since Daniel Erv r was appointed as CEO, he continues to be operationally responsible for H&M, which means that no successor to Daniel as head of H&M is appointed.

By the end of the 2023 financial year, Helena Helmersson held 19,070 shares in H&M. She also held 300,000 call options issued by Ramsbury Invest AB, with each option providing the right to buy one class B share in H&M during the 12-month period following the expiry of a three-year agreement dated 7 October 2020.

As of 31 January 2024 Daniel Erv r holds 68,900 shares in H&M. Daniel Erv r also holds 450,000 call options issued by Ramsbury Invest AB, with each option providing the right to buy one class B share in H&M during the 12-month period following the expiry of a three-year agreement dated 15th of February 2024.

ORGANISATION AND MANAGEMENT

H&M Group is a multi-brand matrix organisation comprising the following brands: H&M, which includes H&M HOME, H&M Move and H&M Beauty; and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories, ARKET, Afound, and Singular Society. The group also consists of New Growth & Ventures, which includes the company's investment arm H&M Group Ventures, Creator Studio, Looper Textile Co. and Sellpy. Each brand has its own organisational structure and managing director, and most of the brands have their own local or regional sales organisations.

There are also several group functions that support each brand to capitalise on the benefits of shared services and ensure each brand and country operates in accordance with group policies and guidelines.

The CEO is responsible for day-to-day management of H&M Group and appoints the members of the executive management team. As of 30 November 2023, the executive management team, including the CEO, comprised eight individuals, four of whom are women. In addition to the CEO, the executive management team consisted of CFO, the person responsible for H&M, the person with responsibility for the Portfolio Brands, the person with responsibility for New Growth & Ventures, and the heads of the following group functions: Communications, Sustainability, and People & Organisational Development/Human Resources.

The executive management team for H&M Group as of 31 January 2024 consists of three women and four men, and comprises the CEO, CFO, the person with responsibility for the Portfolio Brands, the person with responsibility for New Growth and Ventures and the heads of the following group functions: Communications, Sustainability and People and Organisational Development/Human Resources.

For the latest information, see <https://hmgroupp.com/about-us/corporate-governance/company-management/>.

Those responsible for other group functions are appointed by the CFO.

The matrix organisation provides a combination of group and local perspectives on leadership and entrepreneurship.

The regional and local sales organisations are responsible for daily retail operations in their country and region. They take collective responsibility for all the regional and local support functions, whose work is based on instructions from the group functions.

RISK ASSESSMENT AND MANAGEMENT

Operational, financial and sustainability risks are continuously analysed by all brands and group functions. This process of risk review and assessment identifies the systems, methods and controls required to minimise any impact from identified risks. For the most significant issues, the Corporate Governance function manages a quarterly review of risk level and associated mitigation plans.

A summary of the group's main risks was presented to the Audit Committee at the end of 2023 and subsequently the Board.

A description of H&M Group's operational and financial risks can be found on pages 20-27.

An updated climate risk analysis according to the guidelines issued by the Task Force on Climate-related Financial Disclosures (TCFD) was carried out during 2023, see page 24. The company's first TCFD analysis was conducted in 2019.

Due diligence & risk management

H&M Group performs standard due diligence to identify and assess business partners in relation to relevant external and internal requirements based on need and as required within the company's business processes.

The company takes a systematic approach to human rights and environmental due diligence. It is an ongoing process to identify, prevent, mitigate, and remedy potential and actual negative impacts on people, while leveraging opportunities to advance their rights. Respecting human rights is essential for H&M Group to operate sustainably and successfully. This means the company treats everyone equally, with respect and dignity, wherever and whoever they are. The company also recognises the interconnectedness between environmental issues such as climate change, resource use, biodiversity and water scarcity, and human rights and livelihoods.

H&M Group's human rights and environmental due diligence (HRDD) process is integrated into the company's corporate governance and risk management processes to ensure business decisions consider the potential for impacts to the rights holders affected by H&M Group's business. The H&M Group Responsible Business Conduct Policy sets out the additional steps required for conducting a deep dive due diligence in relation to human rights and environmental issues. This applies to the company's operations, value chain and the communities where the group operates.

H&M Group's HRDD process is based on the Organization for Economic Cooperation and Development's (OECD)

Guidelines for Multinational Enterprises and the UN Guiding Principles and relevant national legislation, where applicable. The company pays special attention to groups vulnerable to infringement of rights, such as migrant workers and children. H&M Group does not accept forced labour or child labour.

H&M Group conducts a systematic review to identify and manage human rights risks in the company's value chain at least annually. The company uses the following process:

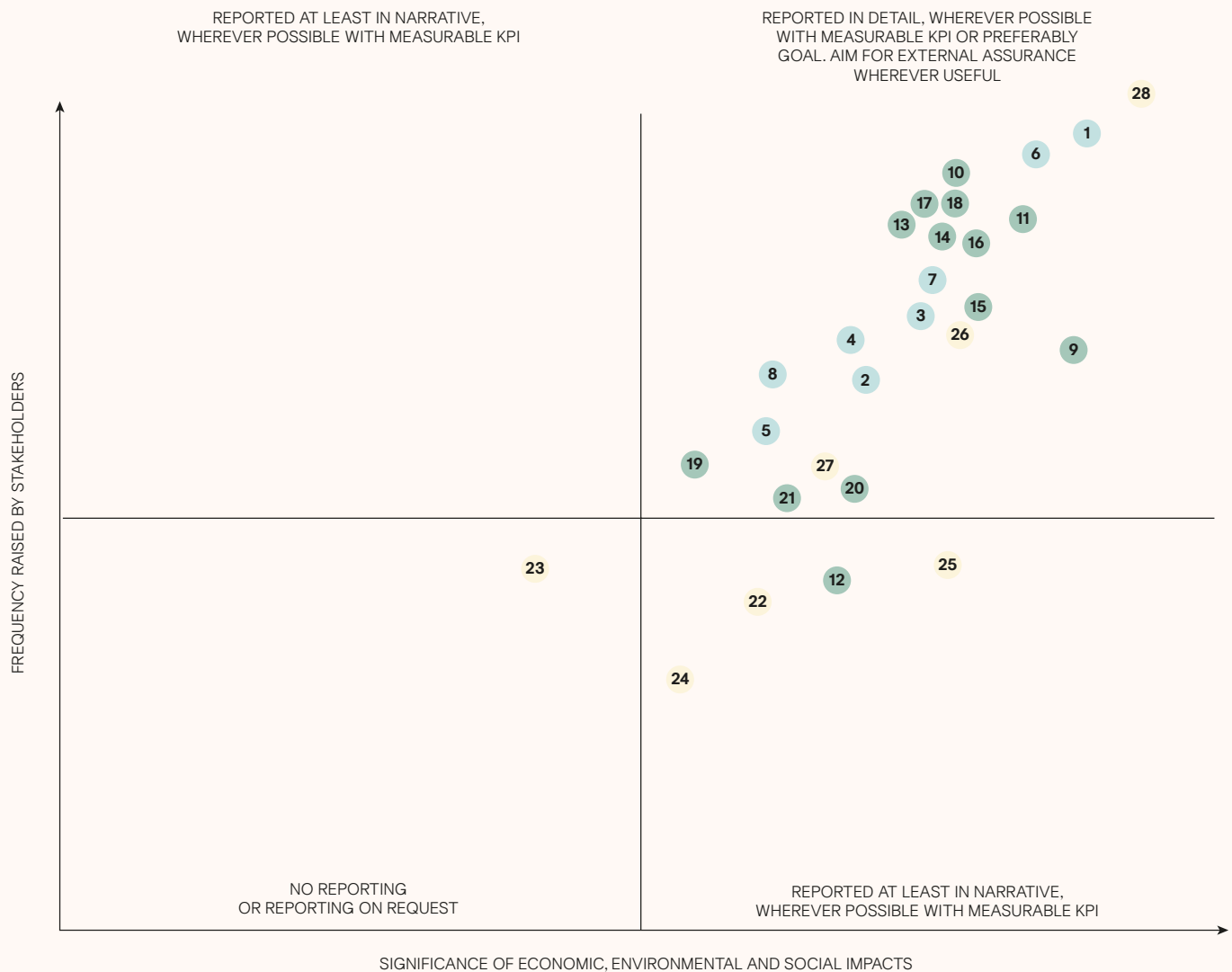
1. **Identification:** H&M Group identifies material risks as part of its annual materiality assessment and through continuous dialogue with international organisations such as the International Labour Organization, OECD, international trade unions, human rights organisations, and policymakers. More detail on this process can be found on hmgroupp.com/sustainability.
2. **Prioritisation:** H&M Group prioritises risks based on likelihood and impact (including severity and reversibility) and calibrates risks across the company's business and supply chain to ensure it addresses risks connected to higher product, raw material, or service volumes. This review is conducted at both a global and local level. The global risk assessment is supported by external data on risk.
3. **Monitoring and reporting:** Identified risks are categorised and listed in the company's risk repository, which details the risks, where they occur, the severity and the mitigation plan. This forms the basis of internal risk reporting and the frequency of the follow-up and review to ensure risks are appropriately managed. The Corporate Governance function reports on all group risks, including the most material human rights and environmental risks, to the CEO and CFO on a quarterly basis. The company reports the status of risks and internal control to the Audit Committee.

H&M Group strives to support grievances to be handled and addressed as close to the issue as possible — and for grievance and remediation processes to be transparent, trusted, and accessible for the intended users. H&M Group's Internal Grievance Policy outlines its internal processes, and the company expects business partners to have similar operational-level grievance mechanisms in place. Since 2022, anyone can raise and escalate concerns using the company's Speak Up channel — H&M Group's corporate complaints channel established in accordance with applicable laws — for reporting suspected misconduct across the company's value chain. The channel supports anonymous reporting and the company does not tolerate retaliation toward the person reporting.

Materiality assessment

For many years, H&M Group has been conducting its materiality assessment in line with applicable GRI standards. In 2023, the company began developing its process to align the

Materiality matrix 2023



MATERIAL TOPICS (RISK + OPPORTUNITIES)

- | | | | |
|---------------------------------|--|--|---------------------------------|
| 1. Climate | 7. Waste, incl packaging | 14. Forced labour | 21. Community Engagement |
| 2. Water | 8. Deforestation | 15. Child labour | 22. Public policy |
| 3. Chemicals (incl. haz. waste) | 9. Health, Safety and Wellbeing | 16. Discrimination and equal treatment | 23. Tax payment |
| 4. Biodiversity | 10. Freedom of Association & Collective Bargaining | 17. Inclusion and diversity | 24. Anti-corruption |
| 5. Animal welfare | 11. Wages and compensation | 18. Gender equality | 25. Data privacy and protection |
| 6. Material/Resource use | 12. Social security and protection | 19. Land rights & livelihoods | 26. Supply chain assessments |
| | 13. Working hours | 20. Access to water | 27. Marketing and labelling |
| | | | 28. Economic performance |

Material topics

			WHERE IN THE VALUE CHAIN ARE THESE TOPICS MORE SIGNIFICANT? NO COLOR = LOW IMPACT; ● BLUE = MEDIUM IMPACT; ● BEIGE = HIGH IMPACT; ● ORANGE = CRITICAL IMPACT							HOW DO WE MANAGE THESE IMPACTS? (SD - SUSTAINABILITY DISCLOSURE 2023)
AMBITION AREAS	OUR FOCUS AREAS	MATERIAL TOPICS (RISK + OPPORTUNI- TIES)	DESIGN AND PRODUCT DEVELOPMENT	RAW MATERIAL SOURCING	MATERIAL PRODUC- TION AND PROCESS- ING	PRODUCT PROCESS- ING AND MANUFAC- TURING	TRANS- PORT AND WARE- HOUSE OPERA- TIONS	SALES	PRODUCT USE, REUSE AND RECYCLING	
CLIMATE AND CIRCULAR	CLIMATE AND NATURE	Climate	●	●	●	●	●	●	●	Climate strategy including approved SBTi targets, see SD p.16
		Water		●	●	●	●	●		Water strategy, see also SD p.24
		Chemicals (incl. haz. waste)	●	●	●	●				Chemicals strategy, see also SD p.30
		Biodiversity		●	●	●				Biodiversity strategy, see also SD p.27
		Animal welfare	●							Animal welfare policy, see also SD p.36
	RESOURCE USE	Material/ Resource use	●	●	●	●	●	●	●	Resource use and circular strategy, see SD p.32
		Waste, incl packaging	●	●	●	●	●	●	●	Waste, see SD p.47 Packaging, see SD p.51
		Deforestation		●						Strategy under development, see SD p.27
FAIR AND EQUAL	FAIR JOBS	Health, Safety and Wellbeing		●	●	●	●	●	●	Policies & procedures Open Operations, see SD p.56 Supply chain, see SD p.60 GBV and sexual harassment, see SD p.65
		Freedom of Association & Collective Bargaining		●	●	●	●		●	Policies & procedures Industrial Relations strategy in our production supply chain in Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Türkiye and Vietnam. See SD p.60
		Wages and compensation		●	●	●	●	●	●	Policies & procedures Wage strategy in our production supply chain in Bangladesh, Bulgaria, Cambodia, China, Ethiopia, India, Indonesia, Myanmar, Pakistan, Romania, Sri Lanka, Türkiye, Vietnam See also SD p.60
		Social security and protection		●	●	●	●			Policies & procedures Aspects of our Wage strategy in our production supply chain in Bangladesh See also SD p.60
		Working hours		●	●	●	●	●	●	Policies & procedures
		Forced labour		●	●	●	●		●	Policies & procedures Modern slavery statement See also SD p.54

			WHERE IN THE VALUE CHAIN ARE THESE TOPICS MORE SIGNIFICANT? NO COLOR = LOW IMPACT; ● BLUE = MEDIUM IMPACT; ● BEIGE = HIGH IMPACT; ● ORANGE = CRITICAL IMPACT								
AMBITION AREAS	OUR FOCUS AREAS	MATERIAL TOPICS (RISK + OPPORTUNI- TIES)	DESIGN AND PRODUCT DEVELOPMENT	RAW MATERIAL SOURCING	MATERIAL PRODUC- TION AND PROCESS- ING	PRODUCT PROCESS- ING AND MANUFAC- TURING	TRANS- PORT AND WARE- HOUSE OPERA- TIONS	SALES	PRODUCT USE, REUSE AND RECYCLING	HOW DO WE MANAGE THESE IMPACTS? (SD - SUSTAINABILITY DISCLOSURE 2023)	
FAIR AND EQUAL	FAIR JOBS	Child labour		●	●	●			●	Policies & procedures Our Wage strategy also supports this impact area in relation to working conditions of parents. See also our Modern Slavery statement, and SD p.54	
	INCLUSION AND DIVERSITY	Discrimination and equal treatment	●	●	●	●	●	●	●	Policies & procedures I&D Strategy within our own operations,; SD p.56 Gender Equality Strategy in our production supply chain SD p.60	
		Inclusion and diversity	●						●		Same as above
		Gender equality		●	●	●	●	●			Same as above
	COMMUNITY RIGHTS	Land rights & livelihoods		●					●	Policies & procedures Our circularity strategy to reduce resource use, see also SD p.32 Our Material strategy, including a target of 100% FSC certified wood See also SD p.36	
		Access to water		●	●	●	●	●			See SD p.24
		Community Engagement						●			See SD p.72
	STANDARDS, POLICIES AND OTHERS	CORPORATE GOVERNANCE	Public policy			●		●			Public affairs strategy, specific two sustainability strategies, such as climate. See SD p.76
Tax payment							●			Tax policy	
Anti-corruption					●	●	●		●	Policies & procedures	
Data privacy and protection			●						●		Policies & procedures
Supply assessments			●	●	●	●	●	●		Policies & procedures See also SD p.78	
Marketing and labelling							●		●	Policies & procedures	

approach with Corporate Sustainability Reporting Directive (CSRD) and the European Financial Reporting Advisory Group's (EFRAG) draft Implementation Guidance for Double Materiality, which is expected to come into force in 2025.

H&M Group's materiality assessment and HRDD processes are closely connected. The company identifies an extensive list of possible impacts as part of its overall risk and impact assessment, using a wide range of sources, including OECD sector risks, ESRS first set of drafts, GRI standards, a systematic analysis or ongoing dialogue with relevant stakeholders, particularly stakeholders affected by an issue, stakeholder surveys and systematic analysis of stakeholder expectations. These are prioritised to create a preliminary materiality assessment, which is subsequently reviewed by a second set of internal experts, followed by selected external stakeholders with expertise in the key impact areas, the company's auditors, and the Board of Directors.

During 2023, H&M Group followed the process described above. In 2024, as part of the ongoing development of the company's process to prepare for CSRD, the company will further refine the process in order to work towards including a financial materiality assessment based on input from internal experts and other external stakeholders. Read more about how H&M Group engages with its stakeholders in the company's Sustainability Disclosure at hmgroup.com/sustainability. H&M Group reviews its material impacts annually, with a more detailed assessment every three years.

The findings from the 2023 materiality assessment informed the company's update to its 2022 GRI-based materiality matrix. Accordingly, the company has made a number of minor adjustments:

- Waste, including packaging, increased in materiality.
- Material / resource use increased slightly in materiality.
- Water increased in materiality.

Internal control

Internal control is critical to safeguard the company's assets and thereby the shareholders' investment. Internal control and risk management are part of the Board's and the management's responsibilities to manage the business in the most appropriate and effective manner possible, ensuring reliable financial reporting and compliance with applicable laws and regulations. The Audit Committee monitors the effectiveness of internal control and risk management, reporting regularly to the Board on the status of these processes.

H&M Group's Internal Control framework is based on the internationally recognised COSO framework. The company's Internal Control framework and control environment is based on the five components of the COSO framework - control environment, risk assessment, control activities, information and communication, and monitoring — which are further described below.

Control environment

The control environment forms the basis of internal control. It consists primarily of the company's ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and related guidelines and instructions, as well as routines. It is underpinned by the culture that the Board and management create and communicate.

Management documents, such as internal policies, guidelines, and manuals, are particularly important, giving employees solid guidance on the way the company operates.

H&M Group's ethics policy, the Code of Ethics, must be signed by all employees that interact in business relationships with suppliers and describes how employees should interact within the company and with suppliers. The "Our way" document summarises the company's values, policies, and guidelines and how they shape the way H&M Group operates to ensure business is carried out in an ethical, responsible, sustainable, and transparent way. "Our way" is intended for all employees within all brands and functions of H&M Group, as well as external stakeholders. Read more about "Our way" at hmgroup.com/about-us/our-way/.

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

- The division of accountability between the Board of Directors, the Audit Committee and the CEO, which is clearly described in the Board's formal rules of procedure
- Regular reports from the executive management team and the Audit Committee to the Board, according to established routines
- The company's organisational structure
- The company's values, guidelines, policies, and manuals
- Control activities, checks and balances, analysis and reporting

H&M Group is a matrix organisation, which means that those responsible for group functions are also responsible for the efficiency and effectiveness of the work of their function within each brand.

Internal control is evaluated annually by the relevant group function, which checks that those working in that function in each country are operating in accordance with the prescribed policies and guidelines. Store operations are checked by internal store auditors.

All subsidiaries within H&M Group have the same structure and accounting system and the same chart of accounts. This simplifies the creation of appropriate routines and control systems. This, in turn, facilitates internal control and comparisons between the various companies.

There are multiple policies, guidelines, and manuals in place across the group, including detailed instructions for store staff that control the daily work in the stores. In most cases these are drawn up by the group functions at head office in

Stockholm and then communicated to the respective departments in regional and country offices. Each group function regularly reviews its guidelines and manuals to keep them up to date, adding new guidelines where necessary.

Control activities

There are several control activities built into the business processes to support business efficiency and accurate financial reporting. These control activities are designed to prevent, find, and correct inaccuracies and non-compliance. Control activities can exist at all levels and in all parts of the organisation. Within H&M Group, control activities include effective control and analysis of sales statistics, account reconciliation, monthly accounts, financial reports, and on systems relating to financial reporting.

Monitoring

In 2023, the company's group functions assessed internal control within their respective area for each sales country. The work covered both general issues and department-specific issues. This internal control assessment resulted in a plan of action for each group function, defining areas for improvement to strengthen internal control at both country and group level. The group functions also followed up on assessments made in the previous year to ensure recommendations had been implemented.

H&M Group's execution of internal control is firmly established within the company, providing a means for group functions to ensure that their respective function operates in line with company guidelines in all sales countries and regions.

The assessment of internal control also allows for interaction across the group to identify potential areas for improvement, with each sales country and region providing valuable and constructive feedback to the group function and the group function delivering feedback to regional and country management.

Within the production organisation, additional control and monitoring activities are outlined in the internal Routine Handbook for Production, which helps to ensure the company does business in an ethical and transparent way. Most of the activities described in the Handbook are monitored monthly at a regional level and every other month at a global level.

Internal store auditors perform annual checks at a subset of stores to identify strengths, weaknesses, and corrective actions.

As a complement to the internal control work performed by the different functions within the company, additional reviews of specific areas have been conducted by external audit firms. Overall, the results have been satisfactory and where findings have been identified corrective actions have been put in place. The Board of Directors and the Audit Committee continually evaluate information provided by the executive management team on company operations, including information on the efficiency of internal control procedures and activities. This work includes checking that the necessary steps are taken in response to any shortcomings detected and that suggestions

made during assessments by the group function and internal store auditors, as well as by external auditors, are acted on. This monitoring work maintains awareness of the importance of effective internal control and supports continuous improvement within the group.

Information & communication

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

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

Financial communication is provided via:

- The Annual and Sustainability Report
- Interim reports, the full-year report and quarterly reports
- Press releases on events and circumstances that may impact the share price
- H&M Group's website [hmgroup.com](https://www.hmgroup.com)

Risks & uncertainties

H&M Group has an entrepreneurial approach to business development. Launching new initiatives and ventures makes it necessary to accept a degree of business risk, while presenting many opportunities. H&M Group carries out regular risk assessments for both operational and financial risks.

Financial risks are related to the use of economic funds and financial resources and include foreign currency fluctuations, taxes and various regulations and ordinances. Operational risks mainly comprise internal business risks and external events which may affect the group. During 2023 a number of external risks and uncertainties were identified and handled within the company's risk management processes.

Financial risks

Foreign currencies

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

Large and rapid exchange rate fluctuations, particularly in the US dollar as the most important 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 — are hedged under forward contracts on an

ongoing basis to the companies H & M Finance AB and H & M Hennes & Mauritz GBC AB.

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 may increase when converted into SEK 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 issues such as export/import subsidies, customs duties (see more below), textile quotas and embargoes. 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, not just sourcing costs but generally also the entire flow of goods from production to the customer would be affected, which companies would need to mitigate.

Customs issues: Related party customs valuation continues to attract attention at a global, European and national level, both from authorities and importers such as H&M Group. It will therefore continue to be important for H&M Group to proactively monitor and manage future developments in this area.

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, H&M Group closely monitors developments in the field of tax. H&M Group is present in many countries and through its operations contributes to the community via various taxes and levies such as corporation tax, customs duties, income taxes, and indirectly via VAT or sales tax on goods sold to customers.

H&M Group complies with national and international tax legislation, and always pays taxes and levies in line with local laws and regulations in the countries where H&M Group operates. H&M Group complies with the Base Erosion and Profit Shifting (BEPS) principles and does not shift its income or profits between jurisdictions in a manufactured way or abuse low-tax or secrecy jurisdictions (tax havens) to gain any tax or financial secrecy benefits.

H&M Group's tax policy, which can be found at [hmgroup.com/about-us/corporate-governance/policies](https://www.hmgroup.com/about-us/corporate-governance/policies), reflects and supports H&M Group's business. H&M Group follows the

OECD Transfer Pricing Guidelines, which means that profits are allocated and taxed where the value is created. The tax policy aims at a sustainable tax rate for H&M Group as a whole, and therefore also for the individual countries in which the company operates. Details of individual jurisdictions' tax positions are made available in the country-by-country reporting as communicated with tax authorities around the globe. H&M Group has been successfully compliant with its tax policy for the 2023 financial year and the company's quality management system for international tax and transfer pricing has received ISO 9001:2015 certification.

H&M Group works continually to ensure its tax strategy is designed to limit any distortion arising from differences in tax legislation in different parts of the world. The company is committed to operate not just within the letter of the law, but also within the spirit of all tax laws that apply to the group's operations — carrying out tax planning commercially and not aggressively or in a manufactured way, and only claiming tax reliefs that the group is entitled to and in the way they were intended to be claimed.

The OECD guidelines on transfer pricing can be interpreted in various ways, and consequently, tax authorities in different countries may question the outcome of H&M Group's transfer pricing model, even though the model complies with the OECD guidelines. For each subsidiary, the tax residence is the same as its place of domicile, and no subsidiary is tax resident in more than one jurisdiction. The company's Taiwan operations are a branch of the Netherlands operations for administrative reasons. Tax is paid in Taiwan and corresponding operational results are tax consolidated in the Netherlands. The whereabouts of the main business activity for each subsidiary can be found as an enclosure to the Tax Policy under the country-by-country reporting definition of activities.

Operational risks

During 2023, the majority of risks related to external events, such as geopolitical uncertainty, increased regulatory demands, inflation, and high energy costs in Europe, rather than to internal business risks. The risk exposure to external risks is still high and we have seen the balance continuing to shift towards external risks compared to 2022.

Increasing numbers of purchases are made online, making this channel an increasingly important part of the customer experience. Customers are looking for a smooth, simple, and inspiring experience in which stores and online channels interact and enhance each other. In recent years H&M Group has therefore made substantial investments to enable this. As the competitive landscape is redrawn by new business models and players, profitability in the industry has been impacted by increased competition.

Fashion has a limited shelf-life and there is always a risk that part of any collection is not well-received by customers, limiting commercial potential. Purchasing decisions are also increasingly influenced by customers' desire to live more sustainably.

Within each segment and each collection, it is crucial to have the correct balance between fashion basics and the latest trends and the right volume of each. Each collection must achieve the optimum balance between fashion, quality, price, and sustainability. This is achieved through increasing accuracy in purchasing decisions and volume planning, which also reduces overall resource consumption and contributes to the company's climate and circularity goals.

H&M Group works intensively to optimise buying during the season in parallel with detailed analysis of daily sales and stock levels in different markets. H&M Group has invested in its capability to create regional and local customer offerings to meet this demand.

H&M Group is constantly evolving its customer offering and experience to improve its capability and capacity to have a more relevant and attractive customer offering than its competitors.

Mitigation plans are continuously monitored and refined to lower the risk exposure of H&M Group.

Reputational risk

As part of one of the world's leading fashion companies, H&M Group's brands attract a great deal of interest and are constantly in the spotlight. To safeguard and manage its brands, it is important that H&M Group continues to evolve operations in response to growing legal requirements, especially in relation to Environmental Social and Governance (ESG) areas, and to operate in accordance with its values, which are characterised by strong business ethics.

It is of the utmost importance that H&M Group lives up to the high ambitions it sets out in its policies and guidelines and that anyone involved in the business has a good knowledge of the way the company's products are produced. It is also crucial that H&M Group delivers on its sustainability goals and ambitions. Accurate, transparent, and reliable communications help to prevent damage to the company's reputation and mitigate the consequences of any incidents.

Negative macroeconomic & geopolitical changes

Macroeconomic or geopolitical events can negatively affect market conditions in a country. This includes political instability, conflict, and war, as well as sudden changes in the business environment, such as rising inflation, significant disruption to the supply chain or economic slowdown affecting consumer purchasing behaviour. All could negatively impact the company's sales. Meanwhile, any new markets that an H&M Group brand enters may have a heightened risk of political instability, corruption, or armed conflict.

Uncertainties exist concerning how fluctuations in external factors such as the price of raw materials, transport costs and suppliers' capacity impact the company's cost base. There are also risks associated with social tensions in markets where H&M Group sources its products, which may lead to instability for suppliers, and in manufacturing and deliveries. The company therefore monitors such changes closely and has strategies and processes in place to deal with fluctuations as

advantageously as possible for both the company and external stakeholders.

H&M Group monitors developments in the Red Sea, day by day and acts to minimise impact on the company's product availability, freight costs and stock levels. Action plans are in place to mitigate and minimise any potential impact caused by temporary use of longer shipping routes.

Sustainability risks

For many years H&M Group has been taking a leading role in driving change towards a more sustainable fashion future and in setting ambitious sustainability targets and strategies.

Through these strategies the company works to address a number of risks identified based on close consideration of stakeholder input. Failure to adequately address sustainability issues could expose the business to risks in a number of areas:

- **Climate:** H&M Group's products are produced based on assumptions concerning weather patterns and any change to expected patterns affects sales. This is particularly true in the transition period between seasons, such as from summer to autumn or autumn to winter. For example, a warmer autumn than usual may have a negative effect on sales of weather-related garments in particular, such as outerwear and chunky knitwear. The company's risk analysis has shown that climate change may impact the conditions for producing and distributing products in certain regions and countries. The growing effects of climate change mean that these variations will likely increase in the future. Read more about the company's climate change related risks in its TCFD disclosure on page 24.
- **Water and natural resource use:** Environmental risks to H&M Group's business, value chain, communities and the planet include depletion of natural resources, biodiversity loss, land use change and water impacts. Many environmental risks are closely connected to human rights risks — for example land rights and livelihoods, the right to access clean water and the impact of climate change on communities that already have inequitable access to resources or finance. The company's focus on reaching 100 percent recycled and sustainably sourced materials, use of innovative materials, further improved planning accuracy, and growth in new and circular business models will improve the resilience of H&M Group's business and supply chain by reducing dependence on limited natural resources.
- **Customer demand:** Growing consumer interest in sustainability is stimulating a change in customer preferences and consumption patterns. This could have a major effect on H&M Group's sales — both positive and negative — depending on how successfully the company evolves its offerings and business models. The company's focus is on further accelerating investment in products,

supply chains and customer journeys that support the shift to a circular ecosystem.

- **Human rights:** H&M Group's Salient Human Rights Issues show how the company identifies and assesses risks across its value chain and prioritises action. Current salient issues include access to water, land rights and livelihoods, labour rights, safe workplace, wages, working conditions in addition to environmental challenges. H&M Group's commitment to respect internationally recognised human rights is the foundation of everything the company does and contributes to more favourable social and environmental conditions for communities and people.
- **Anti-bribery and corruption:** Corruption risks exist in many of the markets in which the company and its suppliers operate. As with human rights and environmental risks the company maps risks related to corruption across its operations and supply chain through annual risk assessments and reviews. The company identifies the greatest risks based on location or type of operation and determines its response, with appropriate follow-up actions and timeframe for review. Tackling the risk of corruption benefits the company by strengthening its business ethics and corporate culture, and enhancing its reputation with stakeholders.

Information security & cybersecurity

All companies are exposed to various risks related to the use of information technology. The risks to which H&M Group is exposed are the same as those facing any large company – especially one that trades online. These risks include hacking attempts on company networks, disruption to system stability and attempts to access customer accounts or login details through phishing attacks. H&M Group makes ongoing investments, adjustments and improvements to the organisation, systems and procedures it uses and constantly monitors its subcontractors to deal with security risks in the best way possible.

Data protection and ethical AI

H&M Group actively monitors its privacy risks and has policies, guidelines and a group function in place to protect individuals' data and meet the requirements of the EU General Data Protection Regulation (the GDPR), as well as local legislation in countries relevant to H&M Group. The development of laws and regulations is continuously monitored, and the company's processes and controls are updated accordingly.

H&M Group has appointed a Data Protection Officer (DPO) for the group and data privacy managers within each region. The data protection procedure is similar in all local operations and all office employees and store managers must undergo data protection training.

Reporting is done regularly by the group's DPO to the company's management and the Board through the Audit Committee.

In addition, a technical team within the company's Business Tech function provides group-wide support and management on how artificial intelligence should be used in an ethical way.

TCFD climate risk analysis

Governance

Climate risk has been identified as one of the company's most significant risks. All company risks are reviewed by the Board at least once per year. The Board monitors implementation of strategies within the sustainability area and initiates changes and updates where needed. These procedures and governance mechanisms enable the Board to closely monitor the company's sustainability and climate-related performance and to ensure sufficient management focus and resource allocation. Implementation of all company sustainability strategies, including the company's climate strategy, is the responsibility of the head of sustainability together with the executive management team. The head of sustainability provides biannual updates on the company's sustainability key performance indicators (KPIs) to the Board of Directors and quarterly KPI updates to the CEO and CFO. For more about H&M Group's risk management processes see page 15.

Strategy

In 2019, H&M Group performed its first risk analysis following the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This analysis has since been updated on an annual basis. H&M Group is focusing predominantly on two scenarios:

- The rapid transition scenario (RCP¹ 2.6, mostly short- and medium-term). In this scenario, the world manages to drastically reduce greenhouse gas (GHG) emissions through several far-reaching measures, such as legislation, global carbon taxes and major shifts in consumption patterns and lifestyles. This would limit the average temperature increase to 1.5°C.
- The accelerating temperature increase scenario (RCP 8.5, mostly long-term). In this scenario, the world fails to curb rising GHG emissions. In the long term (to 2100), this results in a global average temperature increase of at least 3-4°C. Legislation and carbon taxes are expected to play a less significant role in this scenario. Impacts from extreme weather events are assumed to grow in magnitude.

In these scenarios, H&M Group analysed possible impacts in the short term (1-3 years), medium term (in around 10 years) and long term (in around 30 years).

In the risk analysis the company has mapped its value chain, evaluated and ranked risks in all parts of the business, e.g. raw material sourcing, production, logistics, sales and customers (including more general transition risks such as taxes and legislation). Business opportunities related to climate change were also evaluated. The results of the risk analysis are summarised in the following tables.

The rapid transition scenario

RCP 2.6, mostly short- and medium-term risks

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
Changes in customer attitudes and purchasing patterns HIGH	Growing awareness of climate change is expected to impact customer preferences, with an increased preference for products and services with low climate impact from trusted companies that are seen as leaders in sustainability. This could also include reputational risks related to brand perception.	<ul style="list-style-type: none"> — H&M Group's climate goals are to reduce its absolute GHG emissions by 56 percent by 2030 (baseline 2019) and 90 percent by 2040, when the goal also is to achieve net zero. These emissions reduction targets have been approved by the Science Based Targets initiative (SBTi). H&M Group also aims to become a more circular business which, for example, means sourcing raw materials that are recycled or sustainably sourced and scaling up customer-facing circular business models. — The company's strategies within the sustainability area will allow it to build trust in its brands and provide an offering that has a lower environmental impact than its competitors' offerings. — Transparency and clear customer communication about sustainability will help to build trust and increase customer loyalty.

¹⁾ RCP or Representative Concentration Pathway is an indication of the future concentration of greenhouse gases in the atmosphere as a result of human activity. There are four RCPs ranging from very high (RCP8.5) to very low (RCP2.6).

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
Transition to lower-carbon footprint production and/or low-emission technologies HIGH	Fossil fuels remain a significant source of energy in many H&M Group production countries. Climate-related legislation is expected to increase significantly. In response, H&M Group would gradually strengthen requirements for suppliers, as part of the company's ambition to reduce climate impact. The group provides financial support that assists suppliers to phase out coal and other fossil fuels. The expected overall result is increased production costs. Investments would also be needed to develop sustainably sourced materials for use in our garments.	<ul style="list-style-type: none"> — Together with its suppliers, H&M Group continues to make significant efforts to phase out coal and other fossil fuels in its supply chain. In 2023, the total spend on recycled and sustainably sourced materials and decarbonisation (e.g. energy efficiency investments in our stores and supporting its suppliers to phase out coal) was approximately SEK 2.1 billion.
Introduction of global or regional carbon taxes MEDIUM	Taxes on GHG emissions or import duties on garments produced in one region (e.g. Asia) but exported to another (e.g. the European Union) may influence total production costs. This could be both a risk and an opportunity, depending on H&M Group's ability to phase out fossil fuels in our supply chain.	<ul style="list-style-type: none"> — H&M Group has developed internal tools to help it better understand the most cost-effective paths towards reducing its climate impact. — The company will collaborate with peers to amplify support for suppliers to phase out fossil fuels. — H&M Group has set targets to reduce GHG emissions throughout its value chain, reducing its vulnerability to possible carbon taxes. — H&M Group's sourcing strategy is flexible and the company is constantly evaluating the direct and indirect costs in each region to allocate its production in the most efficient way.
Increased energy and water cost MEDIUM	As the world is moving away from coal to lower carbon energy sources, both renewable and fossil based, the demand for these energy sources will increase. Due to the different grid developments and availability of renewable energy sources in regions in which H&M Group has production, there is a risk of regional or local gaps between demand for energy and supply that could lead to increased prices. Similarly, a supply and demand gap or increased taxation on water might also increase prices in the regions where the company's suppliers are located. Both increases may impact production and operating costs and thus the prices of its products.	<ul style="list-style-type: none"> — H&M Group has set targets and has programmes in place to increase energy efficiency throughout its value chain to reduce the impact of increasing energy prices. For critical regions and suppliers the company is also developing energy transition roadmaps. — H&M Group has a water strategy that supports supply chain business partners to adopt water efficient technologies. An innovative solution that is now under pilot is a supercritical CO₂ dyeing process that will remove water entirely. Read more in the company's Sustainability Disclosure at hmgroup.com/sustainability. — H&M Group is entering power purchase agreements (PPAs) and it is investing in new renewable energy (solar and wind) to increase supply.

The accelerating temperature increase scenario

RCP 8.5, mostly long-term risks

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
Raw material availability and price MEDIUM	H&M Group is heavily dependent on cotton as a raw material. Higher temperatures and water shortages will affect cotton production in many regions. In the long term, the company believes that this will affect the availability and price of cotton. Price increases for other raw materials are also expected.	<ul style="list-style-type: none"> — H&M Group has a strong focus on innovation related to new materials and recycling technologies, with a goal of using at least 30 percent recycled materials by 2025 and an ambition of reaching 50 percent by 2030. By increasing the share of recycled materials, the company's dependence on virgin raw materials is reduced. — H&M Group's global sourcing team ensures the company has the flexibility in the supply chain it needs to handle short-term price fluctuations.

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
Water scarcity or extreme weather events that influence production and logistics MEDIUM	Climate change will increasingly impact access to fresh water in certain regions, with consequences for where and how garments can be produced. Extreme weather events may also cause disruptions to production and distribution in some countries.	<ul style="list-style-type: none"> — H&M Group has a water strategy that supports supply chain business partners to adopt water efficient technologies. An innovative solution that is now under pilot is a supercritical CO₂ dyeing process that will remove water entirely. Read more in the company's Sustainability Disclosure at hmgroupp.com/sustainability. — Contingency plans have been developed for suppliers located in high-risk regions. These plans prepare the company to temporarily or permanently move production to alternative suppliers located in low-risk regions, if needed.

Overview of business opportunities

OPPORTUNITY	DESCRIPTION	MEASURES TO REALISE THE OPPORTUNITY
Building a more sustainable business and attracting more customers	Increasing awareness of the climate crisis may impact customer preferences for products or services with a low climate impact from companies that customers trust and that share their values. There is an opportunity for H&M Group to attract more customers by providing a more sustainable and transparent offering.	<ul style="list-style-type: none"> — Delivering on H&M Group's strategy and meeting climate-related customer expectations could lead to a bigger market share. — Transparency and clear communication about sustainability could increase customer loyalty.
Developing customer-facing circular business models	Increasing awareness of the climate crisis may change customer behaviour as people are incentivised to switch to new ways of enjoying fashion without the climate impact associated with garment production. This shift will reduce H&M Group's climate impact and offer the company new revenue streams that complement the traditional business model.	<ul style="list-style-type: none"> — H&M Group is continually testing and scaling new business models and new revenue streams, such as resell and garment care and repair services.
Decarbonisation of garment production to reduce the impact of carbon taxes and higher energy prices	The company's targets to reduce GHG emissions throughout the value chain could create a competitive advantage versus our competitors, mainly because of reduced impact from future climate legislation and taxes on emissions.	<ul style="list-style-type: none"> — Together with its suppliers, H&M Group continues to make significant efforts to phase out coal and other fossil fuels in its supply chain. — H&M Group's climate strategy, long-term as well as short-term targets, and a willingness to invest in carbon reduction initiatives will enable the decarbonisation of its supply chain. — The company is engaging with policymakers in its production markets, aiming to create the right conditions for the transformation (e.g. by removing subsidies for fossil fuels).
Creation of new business-to-business revenue streams	Increasing awareness of the climate crisis may put pressure on H&M Group's competitors' sustainability strategies. Combined with the decarbonisation of H&M Group's production, this will increase opportunities to expand the company's current business-to-business service offering. By further investing in reverse supply chain initiatives, H&M Group can introduce potential new revenue streams that complement the traditional business model.	<ul style="list-style-type: none"> — H&M Group continually develops new business models and revenue streams, such as collecting, sorting and recycling garments. This includes constantly exploring and investing in external innovations and ideas.

OPPORTUNITY	DESCRIPTION	MEASURES TO REALISE THE OPPORTUNITY
Reducing dependence on virgin materials and increasing the climate resilience of natural fibre production	Scaling recycled materials and transitioning to regenerative agriculture for key virgin materials like cotton and wool can reduce the company's material vulnerability and improve the climate resilience of both farmers and its business.	<ul style="list-style-type: none"> — H&M Group is increasing the share of recycled materials and working to bridge technology, infrastructure, feedstock and finance gaps, to make commercial scaling of recycled fibres more feasible. — H&M Group is investing in a range of three-to-five-year collaborative projects with expert partners in South Africa, where most of its wool is produced, and in India, where most of its cotton is grown — to help farmers transition to regenerative practices.

Impact on business strategy & financial planning

Climate-related risks and opportunities have major impacts on H&M Group's business strategy and financial planning. There are several dimensions to this:

- **Business model:** Reducing the company's climate impact in line with the science and reaching its approved science-based targets requires adaptation and development of the company's current business model and consideration related to where it sources raw materials and produce its products. It also requires scaling of circular business models, such as resell, remake, care and repair solutions enabling customers to extend the use of products (see Annual and Sustainability Report, pages 22-23), helping to decouple the company's financial growth from resource use and climate impact.
- **Customers/sales:** Current and future expectations from customers impact both how H&M Group needs to produce its products (with lower climate impact) and how it should communicate the sustainability performance of the products to customers.
- **Sourcing:** The choice of raw materials for its garments is influenced by the materials' climate impact. Prices of raw materials and energy are expected to rise as a result of climate change. Climate legislation and introduction of climate-related taxes or duties are expected. If not mitigated, this may impact the company's profitability.
- **Innovation:** Climate change increases the need for H&M Group to focus on innovation. This involves the exploration of alternative raw materials that are less susceptible to climate change. It includes regenerative agriculture and innovative processes that improve soil quality and biodiversity associated with the company's current raw materials basket. Furthermore, the company focuses on innovative solutions aimed at increasing use of recycled materials.
- **Financing:** Reducing climate impact requires financing. In autumn 2023, H&M Group issued an eight-year EUR 500 million green bond. The net proceeds from the bond will be allocated to eligible projects in five categories: Circular

Economy, Green Buildings, Renewable Energy, Energy Efficiency and Sustainable Water Management & Wastewater Management. The first four categories have a direct connection to our climate risk mitigation. H&M Group also has a EUR 500 million sustainability-linked bond outstanding since 2021 focused on increasing recycled material in commercial goods and GHG emission reduction.

The resilience of our strategy

H&M Group is confident that its climate strategy alongside the measures described above deliver a resilient business strategy. The company has analysed the possible consequences in the following two scenarios:

- **The rapid transition scenario (RCP 2.6):** H&M Group aims to halve its supply chain GHG emissions by 2030 (in absolute terms, from a 2019 baseline, independent of business growth). This means it will be well prepared for developments such as strengthened climate-related legislation and/or the introduction of carbon taxes. The most significant risk to the company, as well as business opportunity, is lost or increased customer trust that impacts their willingness to enjoy products from H&M Group's brands.
- **The accelerating temperature increase scenario (RCP 8.5):** The most significant consequence for H&M Group's business in this scenario is the possible impact on raw material availability and price, especially for cotton. The company is limiting the possible business impact of this by reducing its dependency on cotton and other virgin raw materials. In this scenario, the company's work to create business contingency plans for all parts of its supply chain will help it prevent negative business impacts resulting from extreme weather events. As H&M Group has a limited amount of company-owned assets (production is at external suppliers and warehouses and stores are normally leased), the expected financial impact on company-owned assets related to this scenario is minimal.

For more information on our climate risk management processes, metrics and targets, read our Sustainability Disclosure at hmgroup.com/sustainability.

Internal audit

During the year, in accordance with section 7.4 of the Code, the Board assessed the need for a specific internal audit process. The Board concluded that H&M Group's present model of monitoring internal control is the most appropriate for the company. It is applied by functions such as Finance & Accounting, Expansion, Supply Chain (including Logistics and Production), Business Tech, Sustainability, Communications and Security, and embraces the work of all subsidiaries, as well as the work carried out in stores by local security department representatives. In the Board's opinion, the current H&M Group model is in line with the work performed by an internal audit department in other companies. Therefore, the Board deemed that there is no need for an internal audit department.

The issue of a specific internal audit department will be reviewed again in 2024.

Stockholm, March 2024 The Board of Directors

More information on H&M Group's corporate governance work can be found at <https://hmgroup.com/about-us/corporate-governance/>.