

# Corporate governance



# Corporate governance report

Effective corporate governance ensures that 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 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. It is of 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.

H&M Group has a long tradition of transparent reporting, supply chain disclosure, and helping its customers to make more informed choices. 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 sustainability report, see page 52 in the annual and sustainability report 2024. In the sustainability report the group's sustainability governance is also further described.

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 2023 to 30 November 2024 (the 2024 financial year) and is prepared in accordance with the Swedish Corporate Governance Code (the Code) and the Swedish Annual Accounts Act, and has been examined by the company's auditors.

## 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, as long as they explain how they have deviated, provide the reasons for the deviation and describe the alternative approach they have adopted.

The full Code is available at [corporategovernanceboard.se](http://corporategovernanceboard.se). During the 2024 financial year H&M Group did not deviate from the Code.

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 of directors at the annual general meeting (AGM) of shareholders. Members of the board of directors 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 of directors. The nomination committee also recommends the appropriate level of board of directors' 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 members of the board of directors are appointed to represent the interests of all shareholders. If a large shareholder proposes a new member via the nomination committee, that member of the board of directors 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 members of the board of directors 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 of directors 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 members of the board of directors. There is also no time limit beyond which an independent member of the board of directors 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. It is also common practice in Sweden for the company's chief auditor to attend the AGM. The auditors are deemed to act as the control body for the board of directors 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 directors of large companies. All members of the board of directors 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.

## External and 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 in line with existing legislation, including policies developed by the European Union, Germany (Supply Chain Due Diligence Act), Norway and the UK. For more information, see the sustainability report on page 52 in the annual and sustainability report 2024 and read more on [hmgroup.com/sustainability](http://hmgroup.com/sustainability) and in the sustainability progress report.

Examples of internal control documents include the company's:

- Articles of association
- Board of directors' 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

**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 of directors at the AGM based on proposals from the nomination committee. Proposals for the composition of the board of directors, board fees and the election of auditors are prepared in advance by the nomination committee.

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

The board of directors selects individual members to serve on an audit committee. The committee oversees 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. The committee is the main channel of communication between the board of directors and the auditors.

The board of directors is also responsible for appointing the CEO to oversee day-to-day management and administration of the company. The CEO appoints members of the executive management team. Accountability for implementation and performance relative to the company's strategies,

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 in H&M 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 elects auditors and decide on the instructions for the nomination committee and elects its members.

The general meeting is thus the company's highest decision-making body and is the forum in which shareholders exercise their right to decide on the company's affairs. H&M's 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's nine-month report, as well as at [hmgroup.com](http://hmgroup.com). The notice of the meeting is published in full four to six weeks before the meeting as a press release and in the newspaper Post- och Inrikes Tidningar and at [hmgroup.com](http://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.

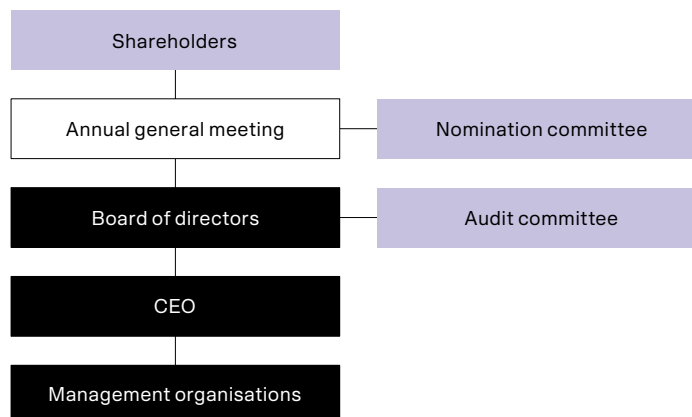
Shareholders wishing to have a particular matter considered by the meeting may submit a written request to the board of directors at least seven weeks before the meeting. An email address for H&M is also provided in the press release for the notice of the meeting, for shareholders who wish to submit 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 members and the chair of the board of directors
- Board fees, including the compensation paid to members for work on the audit committee
- Discharging members of the board of directors 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 earnings for the past financial year
- The instructions for the nomination committee
- Guidelines for remuneration to senior executives

H&M Group's governance structure



### Articles of association

According to H&M'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 members of the board of directors and which individuals are to be elected to the board of directors. Members of the board of directors 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 2024

H&M's 2024 AGM was held on 3 May in the Erling Persson Hall, Aula Medica in Solna. The option of postal voting was also provided.

A total of 1,365 shareholders were represented at the meeting, representing 90.6 percent of the votes and 79.4 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 record date for the first payment being 7 May 2024 (SEK 3.25 per share) and for the second payment 8 November 2024 (SEK 3.25 per share). The remainder of the company's earnings would be carried forward.
- The members of the board of directors and the CEO were discharged from liability for the 2022/2023 financial year.
- The number of members of the board of directors elected by the meeting to serve until the close of the next AGM was set at eight, with no deputies.
- The following ordinary members of the board of directors were re-elected: Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Christian Sievert, Christina Synnergren and Karl-Johan Persson. Helena Saxon was elected as a new member of the board of directors.
- Karl-Johan Persson was re-elected as the chair of the board of directors.
- The board fees proposed by the nomination committee were approved as follows: chair of the board of directors SEK 1,900,000; members of the board of directors elected by the AGM SEK 825,000; members of the audit committee an additional SEK 210,000; and the chair of the audit committee an additional SEK 315,000.
- Deloitte AB was appointed as the auditors until the close of the 2025 AGM. Auditors' fees are to be paid based on approved invoices.
- The board of directors' remuneration report was approved.
- A reduction in the share capital, for allocation to non-restricted equity, was approved through the cancellation of the 19,144,612 class B treasury shares repurchased within the framework of H&M's buyback programme, resulting in a reduction of the share capital of SEK 2,430,352.764. To restore the share capital, the AGM simultaneously resolved to increase the share capital by SEK 2,430,352.764 through a bonus issue without issuing new shares, with the amount of the reduction being transferred from non-restricted equity.
- The board of directors was authorised to make decisions concerning the purchase of own class B shares on as many occasions as it deems appropriate in the period up to the 2025 AGM. The company's acquisition and holding of treasury shares may not exceed 10 percent of all the shares in the company.

### Votes and capital represented at the H&M group's annual general meeting

Year	% of votes	% of capital
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
2024	90.6	79.4

### Number of shareholders and ownership structure

At the end of the financial year, H&M had 213,223 shareholders. The total number of shares in H&M is 1,610,542,225, of which 194,400,000 are class A shares with 10 votes per share and 1,416,142,225 are class B shares with one vote per share. As at 30 November 2024, a total of 6,050,850 B shares in H&M had been repurchased as part of the share buy back programme.

H&M's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 57.9 percent of the votes, as well as 764,799,715 (708,744,122) class B shares, representing 22.8 (21.0) percent of the votes. In addition, the family privately owns 36,400,289 class B shares. This means that as at 30 November 2024, Stefan Persson and family privately and via Ramsbury Invest AB represented 81.9 (79.7) percent of the votes, excluding treasury shares, and 61.8 (57.7) 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 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's articles of association, providing transparency to those considering buying shares in H&M.

### Annual General Meeting 2025

H&M's AGM in 2025 will be held on 7 May 2025. To register to attend the 2025 AGM, see the notice of the meeting at [hmgroupp.com/agm](https://hmgroupp.com/agm).

### Auditors

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

- auditing and examining the 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 the H&M group by the board of directors and the CEO, and,
- 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 the H&M group at the 2024 AGM. The firm was appointed for a one-year term ending at the 2025 AGM. Authorised public accountant Didrik Roos from Deloitte has overall responsibility for the audit.

As in previous years, the 2024 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 2024.

Deloitte is a member of a global network used by most H&M Group companies for auditing purposes and meets the 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, Loomis AB and New Wave Group AB.

The auditors attend all meetings of the audit committee. Didrik Roos also attended the January 2024 board meeting to notify the board of directors of the scope and focus of the 2024 financial year 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 of directors, the audit committee's chair and other members, 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 progress report 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'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 of directors 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 of directors is regulated by the board of directors' rules of procedure which contain rules on the distribution of work between the board of directors, its committees and the CEO as well as on financial reporting and sustainability 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 of directors and independence of its members

The members of the board of directors 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 2024 AGM the board of directors has consisted of eight ordinary members elected by the general meeting, 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 2024 AGM the board of directors 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, Helena Saxon, Christian Sievert and Christina Synnergren. Keith Barker, Tim Gahnström and Agneta Gustafsson are the regular employee representatives, with Therese Nordström, Sofia Almbrandt and Hans Nilsson as their deputies. For more information about members of H&M's board of directors, see pages 6–8.

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

The composition of the board of directors 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 members of the board of directors elected by the general meeting are independent of the company and its management. Most members of the board of directors are also independent of the company's major shareholders.

### Employee organisations

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

### Number of board meetings

H&M 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 of directors on the operational work within the group and ensures that ahead of each board meeting the board of directors is given relevant and objective information on which to base its decisions. The CFO also attends the board meetings to provide financial information. The board of directors is assisted by a secretary who is not a member of the board of directors.

### Members of the board of directors and 2024 meetings

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

The composition of the board of directors exhibits breadth and diversity and ensures significant complementarity between the members of the board of directors' different areas of expertise. Their experience in areas such as retail, entrepreneurship, fashion, digitalisation, finance, 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 eight board meetings held in 2024, one was a constituent meeting in connection with the annual general meeting. Attendance at the board meetings was very high; see the attendance for each member of the board of directors in the table on page 5.

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 legislations.

### Work of the board of directors in 2024

H&M'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

Sales, costs and efficiency within the organisation are discussed continually at the board meetings. During the year the geopolitical and macroeconomic situation remained challenging, and the effects of this on the H&M group's operations formed a key part of the board of directors' work. This includes how the H&M group has been navigating inflation, rising interest rates, the competitive landscape, digitalisation, security and climate matters across areas such as customer offerings and pricing, the supply chain for example in production and transport, the store portfolio and omni-channel business, sustainability, technology and AI, as well as communication and marketing. During the year the board of directors continued to address topics such as store format development and online commerce and the ongoing integration of physical and digital channels (omni), brand-building activities, organisational changes, capital allocation, and cybersecurity. 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 of directors. During the year the board of directors also held two strategy days during which it reviewed and set next year's business plan.

An account of what has been reviewed at the latest audit committee meeting is provided. This has primarily concerned accounting, IFRS 16 effects, audit, tax, customs duties, internal control, risk, and various new regulations, legislations and directives, including the EU's new Corporate Sustainability Reporting Directive (CSRD). During the year the entire board of directors received training in CSRD, and information was provided by the head of sustainability about the status of and plan for meeting the new disclosure requirements. The significant risks discussed at the audit committee meetings were also discussed at the subsequent board meetings. The board of directors goes through interim financial reports before they are published at four meetings in the year. At the January meeting, the board of directors discusses the annual and sustainability report and the auditors' reports on the year's audit. During the year the board of directors also met with the company's auditors without the CEO or other representatives of executive management being present.

As every year, in 2024 the board of directors took various decisions including approving a SEK 1 billion share buyback programme based on authorisation from the AGM, a proposed dividend of SEK 6.50 per share to be paid in two instalments, the remuneration report and decisions concerning the financial statements, as well as deciding on an investment plan, a growth plan, targets and the closure of Afound. On 31 January 2024 the board of directors decided to appoint Daniel Ervér as the new CEO of the H&M group. Daniel Ervér, who was previously responsible for the H&M brand, succeeded Helena Helmersson, who had announced her departure.

Since H&M does not have a separate review function (internal audit function) for work on internal control but has instead established its own model for managing the company's risk and internal control (see pages 10–13), once a year the board of directors assesses the need for a separate internal audit function. In 2024, the board of directors again reached the conclusion that the present model for monitoring internal control is satisfactory.

Ahead of the AGM, the board of directors presented a remuneration report for 2024 in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board. The remuneration report describes how the guidelines for remuneration within H&M adopted at the 2021 AGM were applied in the 2024 financial year. The remuneration report for 2024 is available at [hmgroupp.com/about-us/corporate-governance/remuneration](https://hmgroupp.com/about-us/corporate-governance/remuneration).

H&M does not have a remuneration committee since the board of directors deems it more appropriate for the entire board of directors to carry out the tasks of a remuneration committee, which is entirely in accordance with

requirement 7.4 of the Code. The board of directors prepares the proposed guidelines for remuneration to senior executives that are presented at the AGM, and it is the board of directors that decides on the CEO's salary in accordance with the latest guidelines adopted at the AGM. The board of directors 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 of directors continually evaluates its work, and the chair of the board of directors is in regular contact with members of the board of directors between meetings as part of the board of directors' work and its evaluation process. The evaluation covers working methods, the working climate, wishes and the main focus of the board of directors' work.

The evaluation also focuses on access to and the need for specialist expertise within the board of directors. The evaluation is used as a tool for how the board of directors is to operate and additionally forms a basis for the work of the nomination committee.

### Composition of the board of directors and attendance at meetings in the 2024 financial year

Name	Year elected	Independent <sup>1</sup>	Independent <sup>2</sup>	Fees (SEK) <sup>3</sup>	Board meetings <sup>4</sup>	Audit committee	Shareholdings <sup>5</sup>	Shares held by related parties
Karl-Johan Persson, chair	2020	Yes	No	1,850,000	8/8		12,136,289	Shareholder in Ramsbury Invest AB <sup>6</sup>
Stina Bergfors	2016	Yes	Yes	800,000	8/8		9,000	6,000 <sup>7</sup>
Anders Dahlvig	2010	Yes	Yes	1,000,000	8/8	5/5	17,510	
Danica Kragic Jensfelt	2019	Yes	Yes	800,000	8/8		2,500	120
Lena Patriksson Keller	2014	Yes	Yes	800,000	8/8			1,200 and 9,450 <sup>8</sup>
Helena Saxon <sup>11</sup>	2024	Yes	Yes		5/5	3/3	5,000	19,000 and 2,400 <sup>10</sup>
Christian Sievert	2010	Yes	No <sup>9</sup>	1,100,000	8/8	5/5	87,000	
Christina Synnergren	2023	Yes	Yes	800,000	8/8		34,475	
Niklas Zennström <sup>11</sup>	2014	Yes	Yes	800,000	3/3		72,700	
Keith Barker, <sup>13</sup> employee rep.	2024				4/5			
Tim Gahnström, employee rep.	2021				8/8			
Agneta Gustafsson, <sup>12</sup> employee rep.	2022				8/8			
Sofia Almbrandt, <sup>14</sup> deputy employee rep.	2024				1/5			
Hans Andersson, <sup>12</sup> deputy employee rep.	2024				4/5			
Therese Nordström, <sup>13</sup> deputy employee rep.	2024				2/5		380	

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 2023 AGM. This means that the fees related to the period until the next AGM, i.e. for the period 4 May 2023 to 3 May 2024. The amounts were paid out after the 2024 AGM.

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

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

6. Ramsbury Invest AB owned 194,400 class A shares and 764,799,715 class B shares as of 30 November 2024.

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 considered dependent in relation to 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. Niklas Zennström left the board of directors at the annual general meeting in May 2024 and Helena Saxon was elected as a new member of the board of directors.

Niklas Zennström's shareholding as of 3 May 2024.

12. Agneta Gustafsson, previously deputy employee representative, replaced Ingrid Godin as employee representative in spring 2024. Hans Nilsson became a new deputy employee representative, replacing Agneta Gustafsson.

13. Keith Barker became a new employee representative, replacing Louise Wikholm. Therese Nordström became a new deputy employee representative, replacing Margareta Welinder.

14. Sofia Almbrandt replaced Ramon Horvath as deputy employee representative in spring 2024.

## Board of directors' 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 board of directors 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**  
Board assignments.

**Other significant board assignments**  
Member of the boards of, Handelsbanken and Tele2.

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

**Professional experience**  
1999–2000 TV3 MTG Sales.  
2000–2004 Media strategist OMD Nordics.  
2005–2008 CEO of Carat.  
2008–2013 Country director for Google and YouTube in Sweden.  
2014–2020 Founder and CEO etc. 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 directors of Oriflame SA.

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

**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.



### **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 directors 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.



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

**Education**  
M. Sc. in Economics and Business Administration, Stockholm School of Economics.

**Professional experience**  
1994–1997 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**  
Board assignments.

**Other significant board assignments**  
No other significant board assignments.

**Education**  
M. Sc. in Economics and Business Administration, Stockholm School of Economics.

**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. Christina left BCG before H&M’s 2023 annual general meeting at which she was elected to the board of directors.



**HELENA SAXON**

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

**Primary occupation**  
Board assignments.

**Other significant board assignments**  
Board member and audit committee chair at Sobi and Stockholm School of Economics, as well as at SEB until 1 April 2025.

**Education**  
M. Sc. in Economics and Business Administration, Stockholm School of Economics. Certificate in Corporate Governance from International Directors Program at INSEAD, France.

**Professional experience**  
After her studies Helena began working as a financial analyst at Goldman Sachs in London. She subsequently moved to Investor AB, where she has worked for most of her career, including as CFO and member of Investor’s executive management team 2015–2024, and has also worked as investment manager within tech and health.



**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



**HANS NILSSON**

Deputy employee representative, on the H&M group board since 2024.

Born 1965.

Employed since 1987.

**Current position**

Sales advisor, H&M Hudiksvall.



**THERESE NORDSTRÖM**

Deputy employee representative, on the H&M group board since 2024.

Born 1988.

Employed since 2011.

**Current position**

Pattern maker.



**KEITH BARKER**

Employee representative, on the H&M group board since 2024.

Born 1961.

Employed since 2007.

**Current position**

IT architect.



**TIM GAHNSTRÖM**

Employee representative, on the H&M group board since 2021.

Born 1979.

Employed since 2015.

**Current position**

Solution architect (Business Tech).



**SOFIA ALMBRANDT**

Deputy employee representative, on the H&M group board since 2024.

Born 1979.

Employed since 2008.

**Current position**

Data engineer.



**AGNETA GUSTAFSSON**

Employee representative, on the H&M group board since 2024.

Deputy employee representative on the board 2022–2024.

Born 1969.

Employed since 1988.

**Current position**

Sales advisor, H&M Jönköping.

### 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 of directors, the auditors and the chair of the annual general meeting, fees to the board of directors and auditors, and instructions for the nomination committee. The nomination committee's proposal for the composition of the board of directors 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](https://hmgroupp.com/corporategovernance). The composition of the nomination committee is based on the instructions for and proposed composition of the nomination committee adopted at the 2022 AGM, which apply until a general meeting of shareholders resolves otherwise. The nomination committee below is based on the principle that the nomination committee is to consist of the chair of the board of directors plus four others nominated by the four largest shareholders in terms of voting rights, as set out in the register of shareholders on the last banking day of August. In autumn 2024 the nomination committee thus consisted of:

- Karl-Johan Persson, chair of the board of directors
- Stefan Persson, Ramsbury Invest AB
- Lottie Tham
- Anders Oscarsson, AMF Tjänstepension and AMF Fonder
- Joachim Spetz, Swedbank Robur 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's ownership structure, Stefan Persson in his capacity as principal shareholder is the natural choice to chair H&M's nomination committee.

### Work of the nomination committee in preparation for the 2024 AGM, including description of diversity policy for the board of directors

Before the 2024 AGM the nomination committee held one meeting 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 of directors ahead of the 2024 AGM, the nomination committee studied the report by the chair of the board of directors on the work of the board of directors. The board of directors' 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 of directors, along with interviews conducted with members of the board of directors elected by the general meeting, also informed the nomination committee's proposal to the 2024 AGM regarding the composition of the board of directors. The different competencies of board of directors' 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 of directors consists of individuals with a high level of expertise and integrity, while at the same time ensuring that the board of directors 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 2024 AGM was to re-elect the following members of the board of directors: Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Karl-Johan Persson, Christian Sievert and Christina Synnergren; and to elect Helena Saxon as a new member of the board of directors, as her expertise and background are seen as contributing valuable input to the work of the board of directors. Niklas Zennström had asked to step down from the board of directors since after 10 years as a member of H&M's board of directors, he intends to focus on his own companies and foundations. Niklas still believes strongly in the H&M group and will continue to assist with his network and experience when needed. The nomination committee also proposed the re-election of Karl-Johan Persson as chair of the board of directors.

The nomination committee judged that the proposed board of directors 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 of directors exhibits the required diversity and breadth of qualifications, experience and background, as well as gender balance. The nomination committee has continued to stress the importance of gender balance, and H&M's board of directors has had a good gender balance for many years. The members of the board of directors proposed for election by the general meeting were five women and three men.

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 members of the board of directors, their stock market experience and their expertise in accounting and auditing.

The nomination committee has also discussed the members of the board of directors' independence and assessed that the proposed board composition satisfies the requirements that apply in respect of the members' independence, stock market experience, and accounting and auditing expertise.

To decide whether a member is independent, an overall assessment is 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 that are to be considered here. At least two of the members of the board of directors who are independent of the company and its management must also be independent of the company's major shareholders. To decide whether a member of the board of directors is independent, the extent of the member's direct and indirect relationships with the major shareholder are to be considered in the assessment. A member of the board of directors who is employed by or is a member of the board of directors at 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 members of the board of directors who is independent of the company and its management must also be independent of the company's major shareholders. The chair of H&M's audit committee is independent of the company and its management, as are the other members of the committee. Two of the three members are 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 2024 AGM and the end of the 2024 financial year, the nomination committee held one meeting at which minutes were taken. The committee was also in contact at other times. In autumn 2024 the nomination committee began its review, starting with information from the chair of the board of directors concerning the functioning of the board of directors during the year. It was established that the board of directors has functioned well and fulfilled its work effectively. In the period up until the proposals to the 2025 AGM are presented, the nomination committee will discuss the size and composition of the board of directors based on such factors as expertise, experience and the outlook for the company, the election of a chair of the board of directors and a chair of the general meeting, fees for members of the board of directors, the instructions for the nomination committee and the election of auditors. The nomination committee's work in preparation for the AGM in May 2025 is not yet complete; more information will be presented before and at the 2025 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. The committee oversees all auditing topics and publication of company's 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 three members of the board of directors 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 2024 statutory meeting, Christian Sievert has served as chair of

the audit committee, Anders Dahlvig and Helena Saxon as members. All three 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 and Helena Saxon are independent of the company's major shareholders. The committee held five minuted meetings during the 2024 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 relations and the head of corporate governance. Minutes from the committee's meetings were distributed to all members of the board of directors.

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 and effectiveness of H&M Group's internal control and risk management processes and review of its enterprise risks.
- Information provided by the following functions and departments on their work: People & Organisational Development/HR; Security; Expansion; 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.
- The yearly report on Data Privacy.
- Follow-up on H&M Group policies.
- Review of the company's annual reporting cycle and the work to prepare for the new Corporate Sustainability Reporting Directive (CSRD), 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 has an established routine for approval of any non-auditing services provided by the auditors, the routine is applied before such service can be delivered. 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. 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 of directors on H&M Group's development. The CEO is responsible for the daily management of the company as directed by the board of directors. This includes:

- Recruitment of senior executives
- Buying, production 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.

Daniel Ervér, born 1981, has been CEO for H&M Group since 31 January 2024. Daniel Ervér 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 Ervér was appointed as CEO, he continues to be operationally responsible for H&M.

Daniel Ervér holds 76,900 shares in H&M. He 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 15 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 Beauty and H&M Move; and the Portfolio Brands consisting of COS, Weekday, Cheap Monday, Monki, & Other Stories, ARKET 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.

The matrix organisation provides a combination of group and local perspectives on leadership and entrepreneurship. The regional sales organisations are responsible for daily retail operations in their market and region.

The CEO is responsible for day-to-day management of H&M Group and appoints the members of the executive management team. On 30 November 2024, the executive management team, including the CEO, comprised seven individuals, four of whom were women. In addition to the CEO, the executive management team consisted of the CFO, 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.

Those responsible for other group functions than the ones included in the executive management team are appointed by the CFO.

By the 30th of January 2025 the description of the Executive Management team was updated, for the latest information on H&M Group executive management, see [hmgroupp.com/about-us/corporate-governance/](https://hmgroupp.com/about-us/corporate-governance/).

## Further reading

Read more about H&M Group's corporate governance at [hmgroupp.com/about-us/corporate-governance/](https://hmgroupp.com/about-us/corporate-governance/), which contains:

- 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
- Previous corporate governance reports

## 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 of directors' 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 of directors 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 of directors 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. 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](https://hmgroup.com/about-us/our-way) and under Business conduct in the sustainability report, on page 105 in the annual and sustainability report 2024.

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 of directors' formal rules of procedure
- Regular reports from the executive management team and the audit committee to the board of directors, 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 controls are monitored regularly and evaluated annually by the relevant group function, checking corresponding functions in each country are operating in accordance with the prescribed group and local 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 and 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 whenever necessary.

#### Control activities

There are several control activities built into the business processes to support business efficiency and accurate financial and sustainability 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 and sustainability reports and on systems relating to financial and sustainability reporting.

#### Monitoring

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 markets 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, 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.

In 2024, 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.

#### 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://hmgroup.com)

More information on specific policies can be found in the sustainability report on page 108 in the annual and sustainability report 2024.

#### Risks and uncertainties

Operational, financial and sustainability risks are continuously analysed by all brands and group functions. The risk management process and way of working is set by corporate governance function and established through the company. 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 enterprise risks is presented quarterly to the CEO and CFO, bi-annually to the audit committee and subsequently to the board of directors.

The company's first Task Force on Climate-related Financial Disclosures (TCFD) analysis was conducted in 2019. An updated climate risk analysis according to the guidelines issued by the TCFD was carried out during 2024, read more on page 85 in the annual and sustainability report 2024.

#### Risk management process

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. These include sustainability risks, which are identified through 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. Read more about the sustainability risks and the human rights and environmental due diligence in the sustainability report on page 52 in the annual and sustainability report 2024.

During 2024 a number of external risks and uncertainties were identified and handled within the company's risk management processes. In 2024 most risks related to external events, such as geopolitical uncertainty, increased regulatory demands, and macroeconomic factors affecting the overall cost, rather than to internal business risks. Given the nature of the business, exposure to external risks is still high and will remain high as geopolitical and global risk events will possess a risk on the global supply chain and retail setup.

#### Financial risks

##### Foreign currencies

The most significant currencies for the H&M 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.

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 with 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.

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 most 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.

#### *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 changed trade relations, 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.

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*

Multinational companies, such as H&M Group, face growing tax risks, including double taxation and disputes with tax authorities. The OECD's BEPS 2.0 framework adds complexity to tax compliance and transfer pricing. H&M Group operates globally, paying various taxes, including corporate income taxes and VAT, while adhering to local laws.

Financial reporting under IFRS 16 presents additional challenges. This standard alters lease accounting, potentially distorting profitability ratios and affecting transfer pricing benchmarks, leading to disputes with tax authorities, despite compliance with OECD guidelines.

H&M Group also faces complications from contradictory national court rulings regarding indirect taxes, which can complicate tax credit claims in their headquarters' jurisdictions. This inconsistency poses challenges for managing international tax positions.

H&M Group complies with BEPS 2.0 guidelines to ensure profits are taxed where value is created. Pillar One reallocates taxing rights to consumer markets, while Pillar Two introduces a global minimum tax to prevent profit shifting to low-tax areas. The group avoids tax havens, ensuring income is not artificially shifted.

H&M Group's tax policy ensures compliance with OECD guidelines and aims to tax profits where value is created. The company maintains a sustainable tax rate and engages in legitimate tax planning, avoiding aggressive strategies.

For the 2024 financial year, H&M Group has adhered to its tax policy, achieving ISO 9001:2015 certification for its quality management system in international tax. The group ensures that each subsidiary's tax residence aligns with its domicile, promoting transparency in its tax structure.

#### **Operational risks**

##### *Changes in customer demand*

Rising 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 elevated customer experience. Continuous investments and improvements are in focus and new development areas are constantly monitored and adapted.

##### *Customer offering*

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*

Being 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 for H&M Group to live up to the high ambitions set out in internal policies and guidelines and that anyone involved in the business has a good knowledge of the way the company's products are produced.

Delivering on the set sustainability goals and ambitions is a crucial part. Being proactive with new legislation and ensuring implementation and compliance with proper risk management and internal control work is equally a core part of the work.

Accurate, transparent, and reliable communications supports 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. During 2024 multiple events across the world have shown an increasing level of instability.

H&M Group monitors geopolitical developments in the world day by day and act to minimise impact on the company's product availability, freight costs and stock levels. Action plans are in place to mitigate and minimise potential impact on the supply of products.

Business continuity plans are continuously reviewed in order to ensure relevance based on changing circumstances across the world.

##### *Information security and cybersecurity*

All companies are today exposed to various risks associated with the use of information technologies. The risks to which H&M Group are exposed to are

the same ones facing any company of the same size, broad customer base and geographical spread. H&M Group can also see a threat arising from the potential multi-polar world with four major trade zones, at information-, cyber- and privacy security levels. The moreover traditional security breaches that H&M Group faces include hacking attacks, phishing attempts, system disruptions and system overloads.

H&M Group continues to invest in its colleagues, processes, systems, procedures and technologies to mitigate and remediate these risks and keep our company, its stakeholders, partners and its customers safe. H&M Group constantly monitors, evaluates and protects from threats to its assets and third-party risks, and are on top of the increasing regulatory landscape that the company is subject to on a global, regional and local level.

#### *Data protection and ethical AI*

Breaches of data security can lead to negative impact on customers, employees and business partners, for example if personal information is made public.

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 of directors 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.

#### **Sustainability risks**

##### *Climate*

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. The company is continuously working with various mitigation activities to minimize the impacts to business and customers. More in detailed description of the climate risks are described in the sustainability report on page 58 in the annual and sustainability report 2024.

##### *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 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. Read more about H&M Group's environmental risks on page 58 in the annual and sustainability report 2024.

##### *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 to further accelerating investments in shifting towards circular design principles, recycled and sustainably sourced materials, optimising production and resource use, and scaling circular business models and solutions across our value chain.

##### *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. Read more about H&M Group's approach to human rights on page 91 in the annual and sustainability report 2024.

#### *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 operations 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. Read more about H&M Group's business conduct on page 105 in the annual and sustainability report 2024.

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## Internal audit

During the year, in accordance with section 7.4 of the Code, the board of directors assessed the need for a specific internal audit process. The board of directors 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, logistics, production, business tech, sustainability, legal, communications and security, and embraces the work of all subsidiaries. In the board of directors' 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 of directors deemed that there is no need for an internal audit department.

The issue of a specific internal audit department will be reviewed again in 2025.

Stockholm, March 2025

The Board of Directors

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## The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 1–13 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard Rev 16. The auditor's examination of the corporate examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and governance statement. This means that our generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 20, 2025

Deloitte AB

Didrik Roos  
Authorized Public Accountant