

LONG-TERM INCENTIVE PROGRAM IN THE FORM OF PERFORMANCE SHARE AWARDS FOR EMPLOYEES IN THE H&M GROUP

The annual general meeting on 7 May 2025 resolved to adopt a long-term incentive program in the form of performance share awards for the CEO, the group management and other senior key employees in the H&M group (“**LTIP 2025**”).

Background and motives for the proposal

The purpose of LTIP 2025 is to create prerequisites to attract, motivate, and retain competent employees within the H&M group, as well as to align the interests of employees, shareholders, and the company and to promote common interests in achieving and exceeding the company’s financial and non-financial targets.

By offering share awards that are allocated subject to the achievement of targets related to the company’s share price development, operating profit and sustainability efforts, participants are rewarded and incentivised to contribute to increased shareholder value. LTIP 2025 also rewards employees’ continued loyalty, thereby supporting the long-term value growth of H&M. Furthermore, the board of directors believes that LTIP 2025 will have a positive impact on the future development of the H&M group, which will consequently be beneficial for both the company and its shareholders.

Program design

LTIP 2025 includes the CEO, the group management and other senior key employees within the H&M group, comprising a total of approximately 65 participants.

Awards under LTIP 2025 (“**performance share awards**”) will be granted free of charge entitling the participant, to receive a number of B shares in H&M (“**performance shares**”), free of charge, following a three-year vesting period (the “**vesting period**”) provided that, *inter alia*, certain performance criteria set out below are met.

Allocation of performance shares pursuant to performance share awards will be subject to the achievement of performance criteria, as set out below, and will generally require that participants retain his or her employment over the vesting period. To be granted performance share awards under LTIP 2025, participants who are part of the incentive program implemented in 2021, which expires on 30 November 2025, are required to accept that their participation in the LTI 2021 programme will be shortened so that it ends already 30 November 2024.

Allocation of performance share awards

For LTIP 2025, the value of the underlying shares in respect of the performance share awards allocated to the CEO will amount to 80 percent of the annual fixed basic cash salary, for other members of the group management the value will amount to a maximum of 80 percent of the annual fixed basic cash salary depending on responsibility and role when the performance share awards are allocated and for other senior key employees, the value will amount to a maximum of 50 percent of the annual fixed basic cash salary, depending on responsibility and role when the performance share awards are allocated. In exceptional cases, such as to recruit or retain key competences, performance share awards corresponding to a maximum of 120 percent of the annual fixed basic cash salary may be allocated subject to the approval of the board of directors. The allocation of performance share awards will be based on the annual fixed basic cash salary for each participant as of 1 January 2025 for current employees of H&M or starting salary for participants employed after 1 January 2025.

The share price used to calculate the number of performance share awards corresponding to the allocation value for each participant shall be the volume-weighted average price (“**VWAP**”) of H&M’s B share on Nasdaq Stockholm during 90 trading days starting on 1 December 2024.

Terms and conditions

A performance share award may be exercised, provided that the participant, with certain exceptions, remains employed within the H&M group from the start of LTIP 2025 for the respective participant, up to and including the day that falls three years thereafter (the “**vesting period**”). The last day for allocating performance share awards under LTIP 2025 shall be 30 June 2025.

In addition to the requirement of continued employment within the H&M group, the exercise of performance share awards also requires that participants who are part of H&M’s group management and selected key employees, before 30 November 2025, have invested an amount equivalent to two gross monthly salaries in H&M shares and retain these during the vesting period (the “**investment shares**”). Shares already held by participants may be allocated to LTIP 2025. The board of directors may, on a case-by-case basis, decide to grant exceptions to the investment/holding requirement.

Furthermore, the outcome of the performance share awards is subject to the satisfaction of performance criteria related to three-year performance criteria linked to the development of the group’s operating profit¹, total shareholders return on the H&M share (“**absolute TSR**”²) and environmental, social and governance (“**ESG**”), which will determine the extent (if any) to which performance share awards grant participants the right to receive performance shares at the end of the vesting period. Information on the outcome of the performance criteria will be provided no later than in the remuneration report for the financial year 2027.

Performance criterion for the group’s operating profit

45 percent of the performance share awards allocated to a participant will be conditional on the fulfilment of a performance condition relating to the development of the group’s operating results during the period 1 December 2024 – 30 November 2027 (the “**performance period**”). The performance criterion set by the board of directors for the development of the group’s operating profit during the performance period will stipulate a minimum level and a maximum level. The target for the development of the group’s operating profit during the performance period is not disclosed due to capital market and competition considerations. The board of directors will determine the outcome of the performance share awards related to the performance criterion for the development of the group’s operating profit during the performance period when the audited financial statement for the financial year 2027 is available.

If the maximum performance level set by the board of directors is reached or exceeded, the vesting will amount to (and will not exceed) the maximum level of 100 percent of the performance share awards related to the performance criterion of the group’s operating profit during the performance period. If performance is below the maximum level set by the board of directors but exceeds the minimum level, a linear pro-rata vesting of shares will occur. No vesting for the performance criterion will occur if performance amounts to or is below the minimum level.

Performance criterion related to absolute TSR development

45 percent of the performance share awards allocated to a participant will be subject to fulfilment of an absolute TSR development. The volume-weighted average closing price of H&M shares on Nasdaq Stockholm during the 90-day period from 1 December 2024 to 1 December 2027 shall be used to measure the start and end point for the annual absolute TSR. The measurement shall include estimated dividends during the period from the start to the end point. If the absolute TSR development during the performance period reaches or exceeds an average annual growth rate of 14 percent, the maximum vesting of 100 percent of the performance share awards related to the absolute TSR will occur. If the absolute TSR development corresponds to an annual growth rate (per annum compounded) of 6 percent or lower, no vesting will occur with respect to the performance share awards related to absolute TSR. If the company’s absolute TSR development corresponds to an annual growth rate (per annum

¹ Operating profit defined as profit calculated based on a constant exchange rate (SEK/local currency) over the performance period, and before interest and taxes.

² Absolute Total Shareholder Return, i.e. share price development including dividends.

compounded) between 6 and 14 percent, the vesting of the performance share awards related to absolute TSR will be determined linearly pro-rata between 0 and 100 percent.

ESG – Reducing greenhouse gas emissions

10 percent of the performance share awards allocated to a participant will be conditional upon the company reducing its absolute CO2e emissions within scope 1 and 2³ by 55 to 60 percent and scope 3³ by 35 to 40 percent compared to the 2019 level by 30 November 2027. These targets are part of achieving H&M's communicated climate targets for 2030. If the performance outcome is below the maximum level set by the board of directors but exceeds the minimum level for both scope 1 and 2 as well as scope 3, shares will be allocated on a linear pro rata basis with a weighting of 10 percent for scope 1 and 2 and 90 percent for scope 3. No allocation for the performance criterion will be made if the outcome for both scope 1 and 2 as well as scope 3 is at or below the minimum level.

Allocation of shares

Provided that the performance criteria above have been met and that the participant has retained his or her employment and, if applicable, retained allocated investment shares (unless the board of directors has decided otherwise in specific cases) during the vesting period, allocation of vested shares will take place as soon as practicably possible following the expiration of the vesting period.

When determining the final vesting level of performance share awards, the board of directors shall examine whether the vesting level is reasonable considering the company's financial results and position, conditions on the market and other circumstances, such as environmental, social ethics and compliance factors, and if not, as determined by the board of directors, reduce the vesting level to the lower level deemed appropriate by the board of directors.

In the event delivery of shares to participants cannot take place under applicable law, at reasonable cost or with reasonable administrative measures, the board of directors will be entitled to decide that participants may, instead, be offered a cash settlement.

The board of directors shall be responsible for the details of the agreements and conditions with participants, as well as the management of LTIP 2025. The company is entitled to, prior to delivering vested shares to the participant, retain and sell the number of shares required to cover the cost for withholding and paying tax and social security liabilities on behalf of the participants in relation to the performance share awards for remittance to tax authorities. In such case, vested shares will be delivered net to the participants after the vested performance share awards are reduced by the number of shares retained by the company for such purposes.

Costs

The total effect on the income statement of LTIP 2025, assuming that all performance share awards are allocated, is estimated to amount to approximately SEK 153 million, distributed over the years 2025–2027. The cost includes an assumption of 21 percent of social security contributions, maximum outcome for all performance criteria, maximum allocation of performance share awards and a share price at the time of allocation of SEK 145 and a share price after three years at the time of exercise of SEK 214.⁴ The costs will be reported in accordance with IFRS2 and will depend on the future development of the price of H&M B share.

Dilution

Since the proposal does not involve the issuance of new shares, LTIP 2025 will not result in any dilution of existing shareholders' votes or share capital. The effect on important key figures is only marginal.

³ For definitions see the annual and sustainability report.

⁴ The cost of social security contributions has been calculated based on the average percentage of social security contributions given the intended allocation by geography (21 percent). The calculation assumes that all performance shares are allocated and that the share price at the time of exercise is SEK 214.

Resolution on transfer of treasury shares to employees

To ensure delivery of performance shares in accordance with the terms and conditions of LTIP 2025, the annual general meeting resolved to transfer a maximum of 1,100,000 B shares under the following terms:

- The right to acquire shares shall be granted to such persons within the H&M group covered by the terms and conditions pursuant to LTIP 2025. Furthermore, subsidiaries within the H&M Group shall have the right to acquire shares, free of charge, and such subsidiaries shall be obligated to immediately transfer, free of charge, shares to employees covered by the terms and conditions of LTIP 2025.
- The employee shall have the right to receive shares during the period when the employee is entitled to receive shares pursuant to the terms and conditions of LTIP 2025.
- Employees covered by the terms and conditions of LTIP 2025 shall receive B shares in the company free of charge.
- The number of B shares in the company that may be transferred under LTIP 2025 may be subject to recalculation in the event of bonus issues, splits, share issues and/or similar measures, under the terms and conditions of LTIP 2025.