H&M Group

Annual and Sustainability Report 2023

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How we report

This document is H&M Group's Annual and Sustainability Report detailing our financial and non-financial performance in the year from 1 December 2022 to 30 November 2023 (the 2023 financial year). It includes comments from our CEO and a description of the business, followed by our statutory annual report.

The Administration Report on pages 45-93 includes our Corporate Governance report (pages 52-79) and information on sustainability impact areas and performance (pages 80-93). This is followed by our Financial Report on pages 94-131.

Our Annual and Sustainability Report complies with the applicable Swedish and EU legislation and the International Financial Reporting Standards (IFRS) adopted by the EU and is prepared in accordance with the Swedish Annual Accounts Act. Building on our long experience in sustainability reporting, we are evolving our approach in preparation for the Corporate Sustainability Reporting Directive (CSRD), which requires companies to adhere to the new European Sustainability Reporting Standards (ESRS) coming into effect. For example, we are conducting a detailed gap analysis, transitioning our materiality assessment process, and integrating more sustainability content into our Annual and Sustainability Report. We have also been reporting in line with the Task Force on Climate-Related Financial Disclosures (TCFD) for several years, which further supports our preparedness. Our TCFD disclosure can be found as a part of the Administration Report on pages 75-78.

We complement our Annual and Sustainability Report with the Sustainability Disclosure, which provides additional detailed information on our sustainability strategy, policies, goals and programmes and our performance against our long-term ambitions. It describes the key activities that support progress towards these ambitions, alongside our learnings and plans. The Sustainability Disclosure complies with external reporting frameworks such as the Global Reporting Initiative (GRI) and the UN Guiding Principles Reporting Framework.

More detail on individual topics can be found in our latest Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting, and in other locations linked from relevant places in this report.

Looking back at 2023

Before summing up 2023 I would like to start by saying that after four intensive years as CEO of H&M Group, I decided to step down from my role as CEO at the end of January 2024. Following my decision the board of directors appointed Daniel Ervér as the group's new CEO. I hand over to Daniel feeling confident that, along with all our colleagues, he will ensure that the company will continue to take steps toward our goals and develop H&M Group's brands and business models. With strong leadership and a broad understanding of the business, Daniel is a good role model for our values and our ability to create customer value.

2023

In 2023 we continued to see an uncertain world with geopolitical and macroeconomic challenges. Despite this, we made progress in all our growth areas and took further steps towards our long-term goals. Our continued focus on cost control and profitability resulted in strong cash flow. We continued to invest in the customer offering and the shopping experience for all our unique brands in order to meet our customers' needs and exceed their expectations.

We drove further improvements in the supply chain, the cost and efficiency programme was implemented and the external factors that influence purchasing costs increasingly returned to normal. All this led to a stronger gross margin.

Our Portfolio Brands – COS, Monki, Weekday, & Other Stories and ARKET – continued to develop well. Sales at COS, ARKET and Weekday developed particularly strongly over the year, and these brands are contributing more and more to the group's profitability development.

Thanks to our focus on cost control, profitability and increased inventory productivity, cash flow improved and is financing greater reinvestment in the business – above all, within our store portfolio and supply chain.

2023 was another year that for many consumers was marked by lower purchasing power because of high inflation and high interest rates. Despite this, our net sales in comparable markets increased in relation to 2022. In a situation of high inflation where household living costs are rising significantly it has been more important than ever to offer customers the best value for money.

Despite challenges in the world around us, H&M Group stands on robust foundations. Our focus is on creating further conditions for increased sales, for example through our increased initiatives in respect of the store portfolio and the supply chain. This is an important component for achieving our long-term goals. We are fully focused on H&M and are continually developing the brand, the customer offering and the shopping experience while at the same time integrating the channels further.

Since we temporarily closed our stores in Ukraine in February 2022 we have maintained a close dialogue with various stakeholders. In November 2023 we were able to gradually reopen most of our stores in the country.

Stronger customer offering and customer experience

We offer fashion that makes it possible for everyone to express their personal style, since our business concept is to offer the best combination of fashion, quality, price and sustainability. Speed and flexibility continue to be important going forward, particularly in the supply chain, for the purpose of securing a broad assortment and increasing availability in all channels. Our initiatives in areas such as tech and AI are a significant factor in our work to always have the right product in the right place at the right time and at the right price. Combined with more efficient processes this increases our precision and thereby contributes to more sustainable use of resources.

Helena Helmersson

Through our continued initiatives to integrate the two channels we are ensuring both good product availability and a convenient customer experience, so that customers can meet us when, where and how they wish. In our digital store we are constantly testing ways to make the shopping experience even more inspiring. Many of the things we are testing to elevate and upgrade the presentation of our products are now being gradually rolled out to more markets in 2024.

The physical stores continue to be incredibly important and in 2024 we are stepping up the pace of investment in the existing stores to further elevate the shopping experience. We are ensuring that we have the right store with the right format in the right place. Our stores, which are in prime locations, are a major asset where we meet our customers every day. Customers appreciate this accessibility and being able to try on clothes and be inspired.

The store portfolio has now reached a level where there will be fewer closures going forward while at the same time new stores will be opened. For 2024 we plan to open around 100 new stores and to close around 160. Despite resulting in a net decrease of around 60 stores, the changes in the portfolio will start to make a positive contribution to H&M Group's sales.

Further steps towards our climate goals

Our investments in innovation mean we are taking important steps on our journey towards circularity. We are continually working to develop our business model in order to add profitable growth while at the same time reducing our energy consumption, increasing the percentage of renewable energy and reducing our climate footprint, so that we can contribute to a more sustainable fashion industry. For example, we continued to increase the percentage of recycled or sustainably sourced materials in the collections, reaching a level of 85 percent in 2023. Our goal is for 100 percent of our materials to be made from recycled or sustainably sourced materials by 2030.

Our sustainability initiatives also provide the group with long-term business opportunities. By building strategic partnerships with important actors and creating growth through various innovative methods, such as circular business models, we can continue to give our customers unbeatable value and enable them to have a more sustainable lifestyle.

In addition to our investments, we provide financial support to projects that contribute to reducing greenhouse gas emissions throughout the value chain. Our climate goals are set high and results show that we reduced greenhouse gas emissions by 22 percent in 2023. This takes us even closer to our science-based targets that include a 56 percent reduction[1] in greenhouse gas emissions by 2030 – being among the most ambitious in our industry.

For the twelfth year in a row H&M Group has been included in the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index. H&M Group scored best-in-class in several areas including human rights, climate strategy, greenhouse gas emissions and materiality analysis.

1) Refers to science-based targets for own operations (scope 1 and 2) and for the company's entire value chain (scope 3) and excludes the use of sold products. The baseline is 2019.

Allocation to HIP

I am very proud of what we have achieved together and I am deeply impressed by the strong passion, teamwork and entrepreneurial spirit shown by all our colleagues. I would like to thank all our colleagues throughout H&M Group for fantastic commitment over the past year. Our strong culture with our shared values has been an important factor in our ability to drive improvements within the business.

It is pleasing to note that the increase in full-year profits means we can allocate a further SEK 177 million to the H&M Incentive Program, for all H&M group employees.

Outlook

Despite the uncertainties in the world around us, H&M Group stands strong with a robust financial position, strong cash flow and improved profitability. Our financial strength and long-term perspective enable us to continue to develop the customer offering in order to deliver unbeatable value to our customers. We are closely monitoring the geopolitical developments in the world around us and how these affect our operations. In the current situation we are taking measures to minimise impact on the company's product availability, freight costs and stock levels.

With a strong customer focus, committed colleagues and an increased pace of investment we see good conditions for continued profitable and sustainable growth in 2024.

Helena Helmersson, CEO up to 31 January 2024
H & M Hennes & Mauritz AB

CEO letter from Daniel Ervér

The company's new CEO Daniel Ervér is optimistic about the future, with a continued focus on profitable and sustainable growth and on leading the change to a circular fashion industry.

I feel very proud to be leading H&M Group as its new CEO. It is the commitment, work on continual improvement, passion for fashion and high sustainability ambitions of all our colleagues that makes the company unique.

My journey with H&M began 18 years ago. Since then I have had various roles within the group, having been responsible for merchandising at H&M in Germany and the US, country manager for H&M Sweden, purchasing manager for H&M and responsible for H&M women and men. I have gained valuable experience from each of these roles, particularly within sales. In my most recent role as head of the H&M brand, together with our teams I have been fully focused on improving H&M, strengthening the customer offering and giving our customers unbeatable value.

We have a strong business concept, a unique reach with our physical and digital stores and the opportunity for a direct relationship with customers through our strong brands. Our customer offering – fashion and quality at the best price in a sustainable way – is more relevant than ever. At the same time, customers' expectations are changing fast and it is important that we adapt in line with this.

Throughout the incredible journey of growth that the company has been on since it started in 1947 we have been keen to maintain our corporate culture and the entrepreneurial spirit on which the company was founded. Our values, creativity and salesmanship are at the heart of the process of creating the best customer offering. By focusing on the customer we can further leverage this potential to meet increasing expectations, while at the same time continuing to strengthen our brands.

Despite continued uncertainties in the world around us, with geopolitical and macroeconomic challenges, we see many opportunities. The market our industry serves is large, growing and fragmented. I look forward to continuing our journey as one of the world's leading fashion companies along with our fantastic colleagues. With the plan we have established we are now better prepared than ever to take further steps towards our long-term goals.

Daniel Ervér

Daniel Ervér, CEO since 31 January 2024
H & M Hennes & Mauritz AB

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22%
reduction in scope 3 greenhouse gas (GHG) emissions under our science-based target against a 2019 baseline[1]

64%
of leadership positions within our operations are held by women

Around
30%
online sales as a share of the group's net total

78
markets and 60 online markets

143,000
employees
(101,103 full time equivalent)

SEK 236
billion in net sales, +6% vs. 2022

13
billion SEK profit after financial items

Allocation of
177
million SEK to H&M Incentive Program (HIP) for all employees

85%
recycled or sustainably sourced materials in our commercial goods, including 25% recycled materials

34
billion SEK in cash flow from operating activities

1) Excluding use-phase emissions.

Key figures

1 DECEMBER–30 NOVEMBER	2023	2022	2021
Net sales, SEK m	236,035	223,553	198,967
Change net sales from previous year in SEK, %	+6	+12	+6
Change net sales previous year in local currencies, %	-1	+6	+12
Operating profit, SEK m	14,537	7,169	15,255
Operating margin, %	6.2	3.2	7.7
Profit after financial items, SEK m	13,010	6,216	14,300
Profit after tax, SEK m	8,723	3,566	11,010
Cash and cash equivalents, SEK m	26,398	21,707	27,471
Stock-in-trade, SEK m	37,358	42,495	37,306
Average number of shares outstanding, thousands[1]	1,629,097	1,649,847	1,655,072
Earnings per share, SEK[1]	5.35	2.16	6.65
Cash flow from operating activities, SEK m	33,949	24,745	44,619
Dividend per share excluding own shares, SEK[2]	6.50	6.50	6.50
Return on equity, %	17.7	6.4	19.2
Total number of stores	4,369	4,465	4,801
Average number of employees	101,103	106,522	107,375

1 DECEMBER–30 NOVEMBER		GOAL	2023	2022	2021
Climate: % absolute reduction in GHG emissions (scope 1 and 2) compared with 2019 baseline.		-56% by 2030	-24	-10	-22
Climate: % absolute reduction in GHG emissions (scope 3)[3] compared with 2019 baseline.		-56% by 2030	-22	-15	-10
Climate: % renewable electricity in own operations		100% by 2030	94	92	95
Commercial goods: % of recycled or sustainably sourced materials used	– Total	100% by 2030	85	84	80
	– Sustainably sourced	-	60	61	62
	– Recycled	30% by 2025 50% by 2030	25	23	18

1) Before and after dilution, excluding own shares.
2) Dividend which was decided and paid during the year.
3) Excluding indirect use-phase emissions.
For definitions and explanations in this report, see pages 138-140 and 143.

Sales and stores per region

	NET SALES 2023 (SEK M)	NET SALES 2022 (SEK M)	NEW STORES (NET) DURING THE YEAR	NUMBER OF STORES 30 NOV 2023
The Nordics	21,307	20,128	-10	389
Western Europe	79,049	71,452	-28	1,051
Eastern Europe	19,633	21,991	-6	475
Southern Europe	31,186	28,611	-15	608
North & South America	53,785	50,990	+5	745
Asia, Oceania & Africa	31,075	30,381	-42	1,101
Total	**236,035**	**223,553**	**-96**	**4,369**

Excluding Russia, Belarus and Ukraine, sales in eastern Europe had an increase for the full-year 2023 of 15 percent in SEK and 5 percent in local currencies. Sales were temporarily resumed in Russia from August until November 2022. Development in eastern Europe should be seen in light of the fact that H&M Group's operations in Russia and Belarus have been fully wound down since 30 November 2022. Operations in Ukraine were paused from the end of February 2022 and 7 stores in the country were reopened during November 2023.

Highlights 2023

H&M Studio celebrates 10 years

H&M launched the autumn collection with a pop-up store during Paris Fashion Week 2023. The first H&M Studio limited-edition collection was launched in 2013 and from 2023 multiple limited-edition collections will be done with several drops per season.

Designer collaborations with House of Mugler and Rabanne

The Mugler H&M collection launched in May featured a mix of new and classic signature looks, such as remakes from the fashion house's archives. The Rabanne H&M collection that was released in November consisted of women and menswear in glittering paillettes, metallic dresses, shoes and accessories as well as an exclusive H&M HOME collection.

H&M Beauty

H&M Beauty's first flagship store opened its doors in Oslo and a second one followed in the same city. H&M Beauty also re-launched its in-house developed make-up collection which has been very well received.

New markets

H&M opened its first stores in Albania alongside new online markets in Ecuador and Vietnam. ARKET opened its first stores in Estonia and Switzerland, and in December 2023 in Latvia. Mexico became a new store market for COS when it opened its first flagship store, and & Other Stories opened its first store in Switzerland.

H&M launched on JD.com

H&M took an important step in expanding its presence in China by launching a flagship store on JD.com, the market's largest online retailer. This is aimed at maximising digital presence and ensuring greater accessibility for customers.

H&M Move

H&M Move launched Move Together, a community programme with the objective to remove barriers for young people of moving together. The programme promotes sports by offering multi-sport activities for free to youths from socioeconomic vulnerable contexts. H&M Move also initiated a collaboration with legendary football player Zlatan Ibrahimović as a brand mover and launched the collection Selected by Zlatan.

Dow Jones Sustainability Indices

H&M Group was included in the Dow Jones Sustainability World Index for the 12th year running. In 2023, the group reached a score of 58/100, with highest possible or best-in-class scores in climate-related management strategies and human rights assessment. H&M Group was also listed in the Dow Jones Europe Index and included in the S&P Global Sustainability Yearbook.

COS

COS successfully upgraded its assortment and strengthened its positioning in the premium segment. COS returned to the New York Fashion Week to present its Autumn Winter collection at the Classic Car Club Manhattan.

Fashion Transparency Index

H&M Group ranked sixth out of 250 fashion brands and retailers reviewed by Fashion Revolution's 2023 Fashion Transparency Index, with a score of 71 percent. The group achieved 100 percent in the governance section.

Stand.earth Fashion Scorecard

H&M Group ranked first in the Stand.earth Fossil Free Fashion Scorecard 2023, an analysis of 43 fashion brands. The assessment was made with a focus on the companies' environmental and climate impact.

Textile Exchange Material Change Index

H&M Group was identified as one of six overall leaders of 130 participating companies in the 2023 Material Change Index, based on the company's submitted data to the Materials Benchmark programme. H&M Group was one of two companies that received a level 4 (leading) score on all three sections — Business Integration, Circular Economy, and Impact Areas.

World's Top Companies for Women

Forbes ranked H&M Group seventh out of 400 in their top companies for women. The highest score was in the leadership category (the number of women on the executive board and board of directors), where H&M Group ranked in the top 1 percent of all companies assessed on this topic.

Climate impact

H&M Group achieved a 22 percent reduction in scope 3 emissions from a 2019 baseline. In addition, a 29 percent reduction in electricity intensity in H&M Group stores from a 2016 baseline exceeded the group's 25 percent goal seven years early, contributing to the reduction in scope 1 and 2 emissions.

Supporting renewable electricity

H&M Group continues to promote electrification and increase the availability of renewable electricity in the supply chain. One example is H&M Group's plan to invest in Bangladesh's first offshore wind farm in collaboration with other industry players through the Global Fashion Agenda (GFA).

Second-hand platform Sellpy

Majority-owned Sellpy is one of the biggest providers of second-hand fashion in Europe across 24 markets and continues to have a strong sales development.

Green bond

H&M Group issued its first EUR 500 million green bond with a maturity of eight years. The proceeds will be allocated towards investments in eligible projects under the categories Circular economy, Green buildings, Renewable energy, Energy efficiency and Sustainable water & wastewater management.

Our business idea

Fashion and design are our passion. With several clearly positioned brands, businesses and ventures — each with their own unique identity — we meet our customers' ever-increasing expectations and diverse needs.

All our brands share the same longstanding commitment to offer our customers the best combination of fashion, quality, price and sustainability, and to give unbeatable value. Together they provide a wide and varied range that inspires customers around the world to express their own personal style.

H&M Group and its franchise partners are represented in 78 markets, where the largest brand H&M has stores in 77 markets and is online in 60 markets, making us one of the world's leading fashion retailers. Our business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware through our brands and ventures. Our brands are H&M — which includes H&M HOME, H&M Move and H&M Beauty — and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories, ARKET, Afound and Singular Society. The group also consists of New Growth & Ventures, which includes our investment arm H&M Group Ventures, Sellpy, Looper Textile Co. and Creator Studio.

Every decision we make is driven by our desire to create the best offering and experience for our customers. To meet evolving expectations, we continue to improve our customer offering, as well as integrate our digital and physical channels, and create an even more demand-driven supply chain.

For our business and communities to thrive within planetary boundaries, we aim to decouple financial growth from the use of finite natural resources. H&M Group's goal is that by 2030[1] at the latest it will double sales while at the same time halving its greenhouse gas emissions in line with our targets, which have been verified by the Science Based Targets initiative (SBTi).[1]

The combination of financial strength and long-term approach enable us to continue to invest in improvements to the customer offering and experience, as well as in innovations across the value chain — including technical development, materials and new business models. United by our values, we have an ambition to lead the change towards a more sustainable and circular fashion industry. Building on our long history of actively working with sustainability, we are well positioned to make more sustainable choices accessible for the many.

As a global company, we work to contribute to an industry-level systemic shift, alongside addressing our own impacts in key areas, including climate, resource use, water and oceans, biodiversity and land, and decent work and sustainable communities (social impact). These areas are deeply interconnected, requiring a holistic view to address them — read more in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

We use our resources and influence as a global fashion company to scale systemic industry-wide change. This includes supporting increasing levels of disclosure across our sector. Transparency enables accountability and comparability, and empowers customers to make more informed decisions about the products they buy. Read more about how we work to increase transparency on page 53 and in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

1) The baseline for the sales goal is 2021, while the baseline for reducing greenhouse gas emissions is 2019. H&M Group's goal is to reduce its greenhouse gas (GHG) emissions in absolute figures by 56 percent by 2030 (baseline 2019) in accordance with the Science Based Targets initiative (SBTi). This includes scope 1, 2 and 3 GHG emissions, and is excluding indirect emissions from use of sold products.

Our omni-model

All our brands and ventures ensure that our offering is relevant and responsive to the latest trends, so we continuously meet our customers' ever-increasing expectations.

Wherever, whenever and however our customers around the world want to meet us, we offer a convenient and inspiring experience — whether in our stores or via digital touchpoints such as our websites, apps, social media and digital marketplaces.

We are focusing our expansion on omni-channel growth by continuing to integrate our digital and physical channels, which interact and strengthen each other. By offering a range of channels to facilitate a seamless, holistic customer journey, we ensure greater product availability, as well as building long-term, value-creating relationships. We are continuing to roll out services such as click & collect and online returns in store, along with more digital services that make it easy for customers to enjoy our full assortment of products regardless of channel.

Stores

Our stores at the best locations welcome customers around the world every day — providing a shopping and fashion destination where people can find inspiration and explore their style and creativity. The stores play a vital role where customers can experience our brands. Customers tell us that they appreciate the stores for proximity, availability and the opportunity to try on clothes, create looks and find their perfect fit.

We continuously develop our store portfolio to ensure that we have the right store with the right format in the right place, including flagship stores that we continue to prioritise for an enhanced presentation, inspiration and experience.

By digitalising the in-store experience and providing omni-services, we increase both convenience and product availability.

As we continue to grow and integrate physical and digital channels, we are ensuring that we have a well-balanced, healthy and relevant store portfolio in each market. H&M Group's contracts allow around a third of leases to be renegotiated or exited each year. In 2023, we opened 101 (91) new stores and closed 197 (427) stores. This resulted in a net closure of around 96 stores. We had 4,369 stores in 78 markets at the end of the 2023 financial year. Most openings are in growth markets, while closures are mainly in established markets. In some markets our products are sold via franchise partners. The store portfolio has reached a level of fewer closures going forward while at the same time new stores will be opened. H&M plans to open its first store as well as online in Brazil in 2025.

For example, all our stores have RFID (Radio Frequency Identification), where items can be located quickly, to get precise information on availability and size options. Stores are also an important part of the supply chain, especially in relation to last-mile options — customers can combine physical shopping with omni-services such placing an order online and picking it up in a store, checking if items are available, or returning a purchase made online in store. By adapting how we use our stores and combining different service offerings, we aim to always offer a smooth and flexible shopping experience that meets evolving customer expectations.

We build, furnish and operate our stores in line with our sustainability goals. Our focus is to reduce greenhouse gas emissions and resource use at every stage from construction to fitting out and maintenance. The majority of our stores (91 percent) are equipped with LED lighting, which contributes to the reduction of electricity use per square meter with 29 percent compared to the base year 2016, surpassing our target of a 25 percent reduction seven years early.

COS entered the Mexican market with a first flagship store in Mexico City during August 2023. The store design focuses on circularity in both materials and design and encompasses materials such as bamboo wardrobes, recycled plastic display cases and a rail system made with recycled aluminium. The concept has been created so it can be maintained, repaired, and repurposed, demonstrating the brand's commitment to a circular built environment.

Online

Our online and physical stores complement one another and strengthen our customer offering. Alongside increased integration of both channels to offer a seamless experience, we are continually enhancing the online experience for our customers. We are making it easier for customers to find items they love through improvements to our product exposure capabilities, and to find items they want to keep with personalised fit and sizing recommendations. We are also improving the ease and efficiency of the return experience with the continued roll-out of digital returns and online returns in store. We are continuing our initiatives for digital growth, including constantly updating the online environment for all our brands. To make the shopping experience even more inspiring in our digital store, we are testing several new initiatives, for example to improve presentation of how the products can be used and styled. Many of the tests to lift and upgrade the presentation are being rolled out gradually to more markets in 2024.

All our brands have well-developed online operations. H&M has a presence in 60 online markets. COS, Weekday, Monki, & Other Stories and ARKET offer global selling, which enables customers in around 70 additional markets to shop online. The exact number of markets that have this service varies between brands. Several of our brands can also be found on various external marketplaces.

Our culture and values

H&M Group's unique company culture is shaped by our shared values. They define who we are, what we stand for and how we act to create environments where people and businesses thrive.

We are for everyone, but everyone is unique. Therefore, we strive to have diverse and inclusive teams so we can better understand our customers' needs and perspectives. This helps us to create relevant customer offerings and contribute to a more inclusive world through our products and marketing.

Fundamental respect for the individual sits at the heart of our business. This applies to everyone involved in and impacted by our value chain, and includes aspects such as fair wages and working hours, a safe workplace, freedom of association, and the opportunity to develop and grow. Minimum employment standards and social policies applied across our operations and supply chain support good working conditions in safe and healthy environments.

This value-driven way of working dates back to when our company was founded and continues to guide us today. Our shared values help us stay curious and engaged, and contribute to an open, dynamic and down-to-earth culture where people collaborate and discover new ways to deliver great customer value.

Our aim is always to be a fair, equal and attractive employer. From the very start, we trust our colleagues with great responsibility and encourage them to make the most of development opportunities across our brands and functions. Significant internal development opportunities make it possible to explore a wide variety of roles, contribute to different parts of the organisation and continually grow with our business. We encourage our leaders to be role models who empower, challenge and support their teams to make a difference.

As a global company with employees across 177 nationalities, we represent a rich variety of different cultures and backgrounds. This is a key business strength for us, as it brings a wealth of diverse knowledge, experience and perspectives that enable creativity and innovation. We actively work to cultivate inclusive, welcoming workplaces where everyone is encouraged to be themselves and respect others for who they are.

At the end of the 2023 financial year, around 74 percent of H&M Group employees were women and 26 percent were men.[1] In leadership roles, such as store and country managers, women represented 64 percent and men 36 percent. The average number of employees in the group, converted into full-time positions, was 101,103, of which 10,281 were employed in Sweden.

1) At H&M Group we recognise that gender is not binary and that gender identities exist between and outside of male and female. We keep investigating how we can adapt our systems to be more inclusive of all genders, while also complying with local laws and regulations. Meanwhile we will continue to report on the data we have available today.

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Fashion and design

Our aim is to make fashion and design accessible to everyone in a way that is good for people, the planet and our business.

This starts with our brands' design and buying functions, each of which brings together designers, pattern makers and buyers from around the world with a shared passion for fashion and craftsmanship. These teams draw inspiration from the latest styles and trends, to create high quality collections that have the right mix of basics and the very latest fashions. New ideas come from influences as diverse as art, science, nature, travel, films, art exhibitions, fashion shows and street style.

Our customer focus combined with our long experience in creative, trend-led design, help us to create what our customers want and to inspire them — always with the ambition to deliver value beyond the price they pay. We offer good quality products that are made to last and can be enjoyed time and time again.

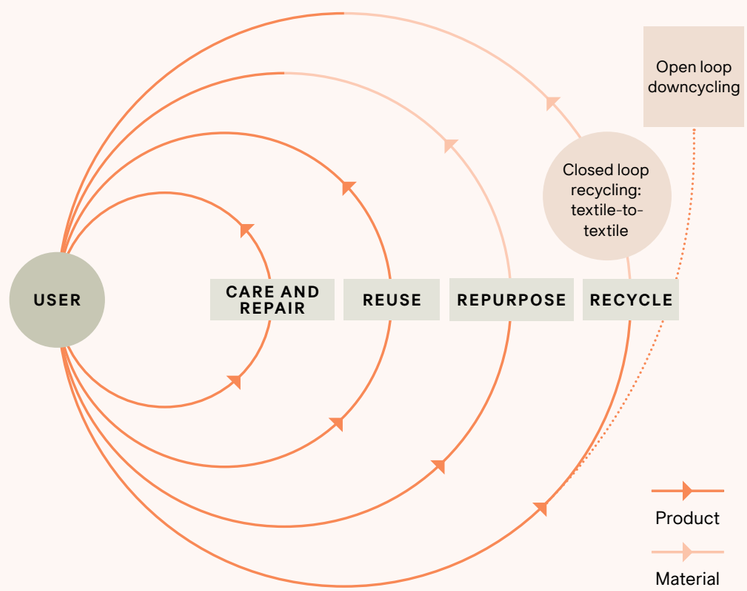
Technologies such as 3D design and virtual showrooms enhance the creativity of our in-house designers. We increasingly harness the power of artificial intelligence (AI) to optimise how many products to make, where to sell them and when. Aligning supply with customer demand is good for our customers, our business and the environment. This process supports our ambition to shift to a circular ecosystem across our value chain — from designing products that are created to last and made of safe, recycled, regenerative or sustainably sourced materials, to product development, production and customer use, reuse and recycling.

We are expanding our range of initiatives to ensure products continue to circulate for longer. For example, ARKET ARCHIVE is a new platform for second-hand ready-to-wear shoes, accessories and childrenswear from ARKET, in partnership with Archive, a leading technology platform for branded resale. Sellpy's new Upcycled platform offers limited collections created by upcyclers, artists and designers. Meanwhile, H&M HOME now offers preowned interior pieces from both its own and other brands, allowing customers to mix and match used pieces with current seasonal items.

Circular customer journeys

We are optimising our business so that we use fewer resources, while at the same time building a circular ecosystem that ensures products and materials circulate at their highest value and generates diversified revenue streams.

Customer-facing circular business models



Circular business models enable a product to circulate many times between users or customers. A product may be repaired, reused as a product (for example via a second-hand purchase), reused as materials and remade into a new product, or recycled. Recycling can return materials to the fashion ecosystem (closed loop) or send them for use as resources in another industry (open loop).

Achieving more with less is key to building a resilient business, and our aim is to accomplish this by working towards circular offerings across our entire value chain — including products, supply chains and customer journeys — supporting our efforts to work for longevity rather than one-off transactions.

In response to customers' growing interest in circular fashion, we are also offering services that extend the life of the garments even further — enabling products to circulate and resources to be kept in use for as long as possible.

Design is the first step in this process. The decisions we make at this stage determine the materials and processes we use, the expected lifetime of products we create for each assortment, and the potential for those products to be repaired, reused or recycled. Our aim is to use the design process to select materials and processes that reduce negative impacts and support a long product life — through multiple users — before enabling the product to be fed back into the supply chain for recycling into new fibres.

We test and invest in innovative services that span the whole product lifecycle. These include garment rental, second-hand, remake, repairs, alterations, garment collecting for textile reuse and recycling, and preferred delivery options[1] — all to help customers make well-informed choices, while creating new revenue streams and supporting our sustainability goals.

1) Modes of transport including 100 percent biofuel, electric and zero-emissions vehicles. A zero-emissions vehicle is one that does not emit exhaust gas or other pollutants when operational.

We offer customers inspiration on how to prolong the life of their garments through care and repair initiatives. To support maximising product life, we offer repair services at some of our stores and provide guidance and products to help customers repair their clothes. Customers have the option to experience fashion, while enabling products to continue to circulate through our brands' range of rental and reuse services. Sellpy has grown into a broad digital platform for second-hand fashion and other products, and is today operating in 24 markets. With its vision of enabling everyone to consume and live in a more circular way, Sellpy has created a unique service that makes it easy for people to buy and sell second-hand items.

We offer our in-store garment collecting programme worldwide to our customers. Our aim is to ensure the collected products are sorted for the most suitable outcome, be that reuse as product, reuse as material or recycling. In our Sustainability Disclosure (at hmgroup.com/sustainability/sustainability-reporting) we share more about our work to ensure that collected textiles are taken care of responsibly — either to be reused as a product, sold as second-hand or recycled.

Our brands

Each of our clearly positioned fashion brands has its own unique identity, shopping experience and its own look. Together they complement and strengthen each other — all to offer customers unbeatable value.

H&M

H&M is a fashion brand dedicated to liberating fashion for the many. It is committed to making fashion accessible to all through our business idea: fashion and quality at the best price in a sustainable way. H&M offers a broad range of styles for different personalities, preferences, body types, ages, gender identities, occasions and cultures. Customers can express themselves through the brand's diverse, fashionable and current assortment, which includes everything from unique designer collaborations and functional sportswear to affordable wardrobe essentials, beauty products and accessories.

H&M has 3,872 stores in 77 markets and is available online in 60 markets.

hm.com

H&M HOME

H&M HOME is a design-driven interior brand offering fashion-forward décor and accessories for every room and style. The assortment ranges from high-quality bed linen and timeless dinnerware to diverse textiles, furniture and lighting. Contemporary style and attention to quality and detail are at the brand's core. By merging modern design and quality with sustainability and affordable prices, H&M HOME enables interior lovers across the world to create a personal and modern space — a place to feel at home.

H&M HOME was launched online in 2009. Today, it is available in most H&M online markets, through standalone H&M HOME concept stores, and at shop-in-shops in H&M stores.

hm.com/home

H&M Move

The new brand H&M Move, launched worldwide in August 2022, is embarking on the bold mission to liberate activewear and get the whole world and everybody moving, however they move. The brand offers a more accessible vision of sport by reframing it as movement, celebrating the fact that everyone on the planet is already a mover, moving in a multitude of ways. H&M Move aims to equip the world with stylish and functional activewear that will support movers of all abilities and skills to move comfortably and confidently.

H&M Move offers collections for women, men and children online and in around 2,400 stores at dedicated areas within H&M stores.

hm.com/move

COS

COS offers a wardrobe of ready-to-wear and accessories for a life well dressed. Rooted in luxury design and compelling fashion movements, the collection pays meticulous attention to sustainable craftsmanship, quality and a superior colour palette that transcends time. The creative soul of the brand is visualised through original storytelling, seasonal runway shows and contemporary culture to create an experience beyond the expected.

COS has 245 stores in 47 physical markets and online stores in 38 markets. The assortment is delivered to additional markets via global selling through online channels and is also available on external platforms.

cos.com

WEEKDAY

Weekday is a street fashion and lifestyle brand pushing the boundaries of everyday dressing. It is a collective, a platform for expression — cultivating the creative generation in the search of hypeworthy inspiration, new styles, and emerging cultural trends. Launched in 2002, Weekday offers a unique retail experience and a carefully curated mix of jeans, women's, men's and accessories assortments.

Weekday has stores in 14 countries and currently ships to 29 markets. The brand also delivers to additional markets via global selling through online channels as well as external platforms.

weekday.com

MONKI

Monki is a vibe: friendly, playful, bold and empowering. Monki draws inspiration from those who bravely express their style and creativity without the filter of conventions and aims to be a catalyst for others to do the same.

Founded in 2006, 64 concept stores offer the Monki in-real-life experience across 15 markets and Monki.com currently ships to 29 markets, and via global shipping and external platforms to additional markets.

monki.com

& Other Stories

Launched in 2013, & Other Stories offers fashion-loving women a wide range of shoes, bags, accessories, beauty and ready-to-wear — all equally important for the whole look. & Other Stories inspires women to create their own personal style and expression. The ateliers design diverse collections with great attention to detail and quality, always with modern femininity in mind.

& Other Stories has 72 stores in 25 markets and online stores in 32 markets. The brand also delivers to more markets via global selling through online channels as well as external platforms.

stories.com

ARKET

ARKET is a modern-day market and lifestyle destination offering essential products for men, women, children and the home, as well as a New Nordic vegetarian café. The wide assortment of fashion, food, scents, beauty and functional home items is curated to simplify good choices and provide inspiration for a more beautiful everyday life.

The first ARKET store opened in London in 2017 and today ARKET has 30 stores in 14 markets across Europe and Asia. ARKET is available online in 31 markets and ships to more via global selling through online channels. It is also available on selected external platforms.

arket.com

AFOUND

Launched in 2018, Afound is a digital outlet, offering deals on fashion, beauty and interior furnishings for all. Believing that quality and style never go out of fashion, Afound does not produce anything new. Instead, the fashion outlet carefully selects products from past and present collections of top brands and offers them at a discount. In this way, Afound can ensure great garments find new homes and the outlet's customers can score a great deal. As of 2023, Afound is present online in Sweden, the Netherlands, Germany, Austria, Denmark, Norway and Finland.

afound.com

Singular Society is a new and innovative membership-based brand that offers premium products at the price they cost to make. Founded in 2020, Singular Society's ambition is to help change the way retail operates, and to offer an alternative to the traditional way of consuming — no markups, no shortcuts and transparent pricing and product information. Singular Society is currently shipping to the EU and has a flagship store in Stockholm.

singular-society.com

ALL/N EQUESTRIAN

New concept All In Equestrian, launched at the end of 2023, offers a contemporary and functional collection of apparel for riders. All In Equestrian is a natural continuation of H&M's long history of sponsorship in the equestrian world — bringing the deep knowledge and passion to dress both top athlete riders and the broader horse community.

All In Equestrian is available online in 12 European markets.

allinequestrian.com

New Growth & Ventures

H&M Group also consists of New Growth & Ventures which creates new revenue streams and business models through a variety of strategic partnerships and investments that complement the group's business.

The aim is not only to invest in early-stage businesses but also in healthy businesses that can scale quickly and in partnerships, thereby engaging with customers in new ways that add value, create additional growth, contribute to sustainable development and generate new learnings. Examples of our ventures are Sellpy, Looper Textile Co. and Creator Studio.

Sellpy

Founded in 2014, Sellpy has grown into a broad digital platform for second-hand fashion and other products. With its vision of enabling everyone to live in a more circular way, Sellpy has created a unique service that makes it easy for people to buy and sell second-hand items.

H&M Group has been the majority owner of Sellpy since 2019, and the company has been consolidated in the H&M Group accounts since Q1 2023. Following its 2021 expansion into 22 European markets, Sellpy is currently available in 24 markets, including Sweden.

sellpy.com

Looper Textile

In 2023, we launched Looper Textile Co., an independent joint venture with Remondis that provides local municipalities and retailers with solutions to extend the useful life of unwanted garments via reuse and recycling. This is part of our work to invest in progress around key processes, visibility, and technology, which increase the likelihood of extending the useful life of unwanted garments.

loopertextile.com

Creator Studio

Creator Studio is a global platform for merchandise design and production. With an easy-to-use platform, lean production process, made-to-order digital printing and e-commerce integration, Creator Studio aims to lower the barriers for creators to offer good quality merchandise.

creatorstudio.com

Innovation

Systemic change is essential to achieve the transformation required for a more sustainable fashion industry. Our size and reach provide a significant opportunity to influence the wider industry, and to scale the infrastructure and innovation required for this shift.

We invest in innovation, from the research and development stage through to widescale use. Our focus is on business models, materials and processes that will help us decouple our revenue from resource use, improve the resilience of our business and supply chain, and empower our customers to be part of our industry's transformation. Our investments in innovation also support our commitment to respect human rights by contributing to more favourable environmental conditions for communities and people.

Our innovation hub, The Laboratory, researches and tests new circular business models and other areas of strategic importance to our business. To rise to the various sustainability and business opportunities and challenges facing our company requires disruptive innovation and the testing and scaling of new ideas. Our Circular Innovation Lab supports early-stage innovations through to commercial production, and integrates these across our organisation and supply chain. Within New Growth & Ventures we fund new and developing technologies that, for example, improve customer experience, enable a circular fashion industry and support our sustainability goals.

Our investment goal is in line with our sustainability goals and supports the long-term growth of H&M Group. We are looking for investments and technologies that benefit the entire industry and for innovative companies that have the potential to scale up. This also enables a more circular future and supports entrepreneurship in the fashion industry.

H&M Move partnered with LanzaTech to launch a capsule collection using captured carbon emissions.

H&M Foundation's Global Change Award is one of the world's largest challenges for early-stage innovation to transform fashion. It aims to select, support and scale impactful innovations that help reduce the fashion industry's negative impact on the environment.

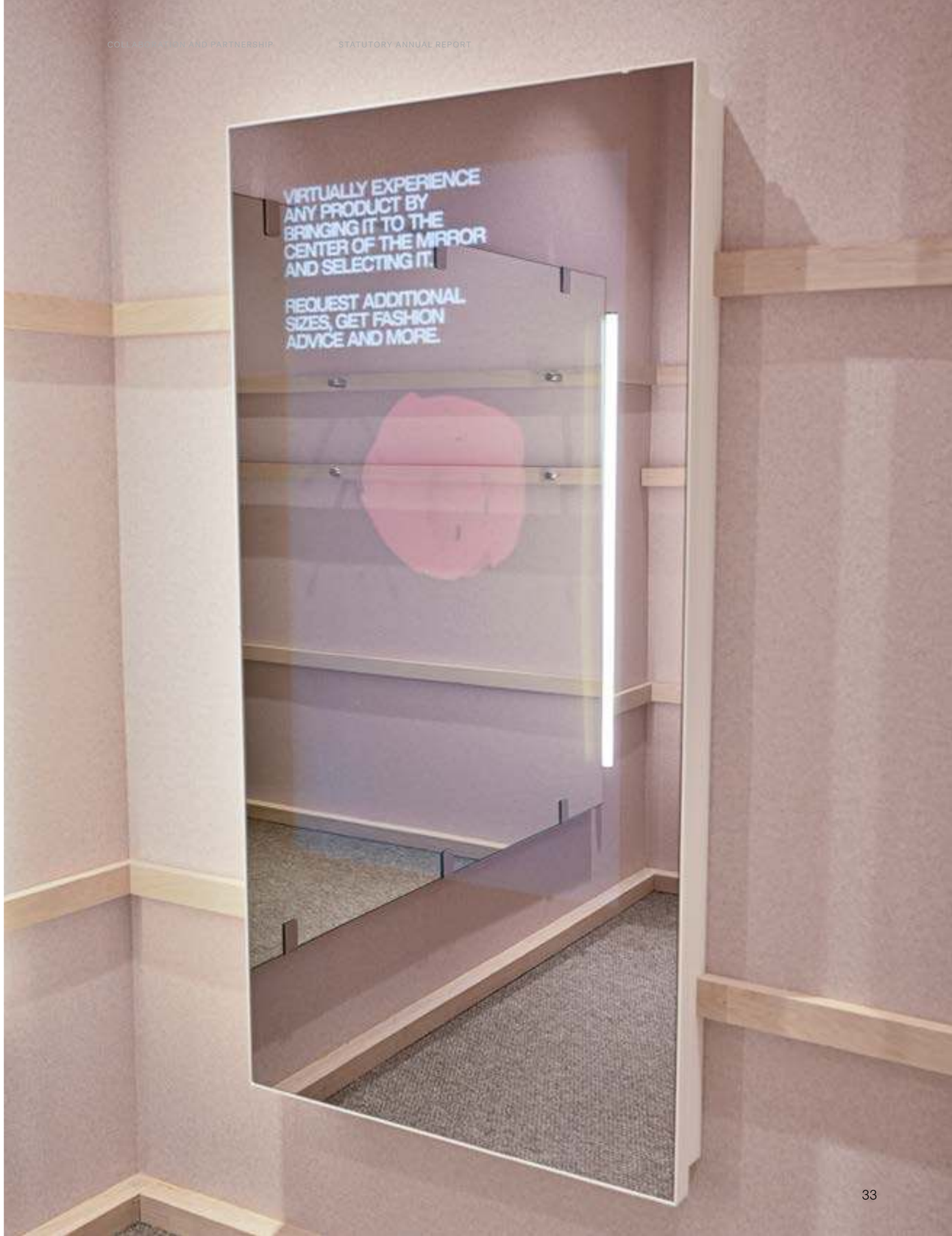
We invested in Rubi, a former H&M Foundation Global Change Award winner that creates man-made cellulosic fibres from industrial CO_2 emissions. Supported by the Circular Innovation Lab, Rubi is working to produce the first batches of fibre for evaluation within H&M Group's supply chain.

H&M Foundation. Recycled leather from leather scraps. Pictures from the HKRITA lab.

Initiatives for an improved customer experience

Customer behaviour is changing rapidly, and we work continually on improvements to offer customers the best possible experience. Here are some examples of ongoing initiatives — some are pilots in a few markets, while others are rolled out in most of our markets:

- **H&M's customer membership programme.** Members receive personal fashion offers and services for an inspirational and more convenient shopping experience. Other benefits include rewards for bringing in clothes for H&M's garment collecting, attending exclusive events and receiving other offers.
- **More payment options.** H&M members can pay now or later through the H&M app, whether shopping in store or online.
- **Digital receipts** are offered to customers in the H&M app so they can keep track of their receipts in one place and refer to their past purchases easily and accessibly. Available in most markets.
- **Visual search.** Image recognition provides recommendations and suggestions for styling and matching items based on pictures customers have taken and been inspired by.
- **Next day delivery and express delivery** continue to be rolled out in more markets.
- **Preferred delivery options.** In some selected markets, customers can opt to receive and return items using a bicycle delivery service. Combined with using biogas vehicles from the logistics centre to the bicycle delivery service, this reduces greenhouse gas emissions compared to conventional delivery options. Other preferred delivery options are offered in different markets, and they continue to be rolled out.
- **Find in store.** On seeing an item online, customers can use their mobile to find it quickly and easily in the size they want in physical stores, as well as online.
- **Scan & buy.** Customers can scan the QR code on a product in store to find and buy the item online in the size and colour they want.
- **Click & collect** allows customers to pick up online purchases in store.
- **Online returns in store** allows customers to return online purchases in physical stores without any charges.
- **Rate & review** allows customers to rate and review their purchases.
- **RFID** (Radio Frequency Identification) is used to help customers locate items quickly and easily with real-time information on an item's availability and size options.
- **Self-service checkouts** offer customers a convenient payment alternative. Self-checkout has been much appreciated by customers and is being rolled out to more markets.
- **Instagram.** In the US, H&M customers can shop directly from Instagram posts and reels and receive notifications when H&M releases new collections.
- **Rental in store** offers customers the opportunity to rent garments. Available in select H&M stores in the UK, the Netherlands, Sweden, Germany, and Belgium.
- **Smart mirrors in fitting rooms.** Mirrors that recognise products brought inside the fitting room and offer personalised product and styling recommendations, or additional sizes and colours. Available in select countries.
- **Buy online, pick-up in store** allows customers in the US to shop online from the assortment in a select number of physical stores and pick up the purchase in store.
- **Digital returns.** Customers in select markets can register their H&M returns online or through the H&M app without having to fill out paper forms in the parcel.
- **Mobile payment in stores** allows customers to checkout from anywhere in the store via a staff member's handheld device.



Demand-driven supply chain

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Customer demand-driven production

We continuously engage with our customers to meet and exceed their needs and expectations, providing a strong and relevant offering with the best combination of fashion, quality, price and sustainability.

To ensure we deliver the best customer offering and an elevated experience across all sales channels at the right time, we focus on maintaining an efficient and demand-driven supply chain, which can react quickly to trends and ever-changing customer demands.

Our value chain includes the full range of activities required to plan, design, source, process and manufacture, transport, sell, use, reuse and recycle our products. Within that, we describe the part of the value chain that covers production, logistics and distribution as our supply chain.

The group's supply chain is built on long-term strategic partnerships, mutual trust and fair purchasing practices. We maintain a close dialogue with our suppliers through our production offices located in the different sourcing markets. Together, we continually work on improving our products and addressing environmental and social impacts in our supply chain. We invest in our supply chain to optimise the flow of goods with a focus on maximising customer satisfaction. Speed, availability, cost efficiency and accuracy are decisive key factors for achieving this. By using AI and data across the whole supply chain, we can improve precision in our quantification, allocation, pricing, and local relevance — contributing to leaner production and a more sustainable use of resources.

As a global company it is vital to have an efficient and demand-driven supply chain that enables us to quickly adjust volumes, sales channels and markets based on changes in customer demand and unexpected events. We work to reduce lead times and optimise the customer experience by using efficient distribution systems and highly automated logistics centres.

A large part of our environmental footprint occurs in the supply chain — particularly in fabric manufacturing and processes like dyeing and washing, which are often energy- and water-intensive. We are combining disruptive innovations with process improvements to develop a long-term, holistic plan for production processes — with a focus on reducing energy, water and chemical consumption. We also make funding available to supplier factories to invest in the technologies and processes needed to reduce energy demand and replace fossil fuels.[1]

Read more about our supply chain management on pages 80-81.

Our work creating a reverse supply chain focuses on retrieving garments from our customers and products from our supply chain and feeding them back into new reuse or recycling streams as valuable resources. During the year, we further integrated this work into our supply chain and handled flows such as faulty products and material from our garment collecting programme.

1) For more information see note 1 to the financial statements, Accounting principles.

Towards recycled, regenerative and responsibly sourced materials

The fashion industry is reliant on materials for products, packaging, and the built environment. It is important we choose the right materials — to reach our circularity, climate and nature goals, and to decouple virgin resource use from business growth.

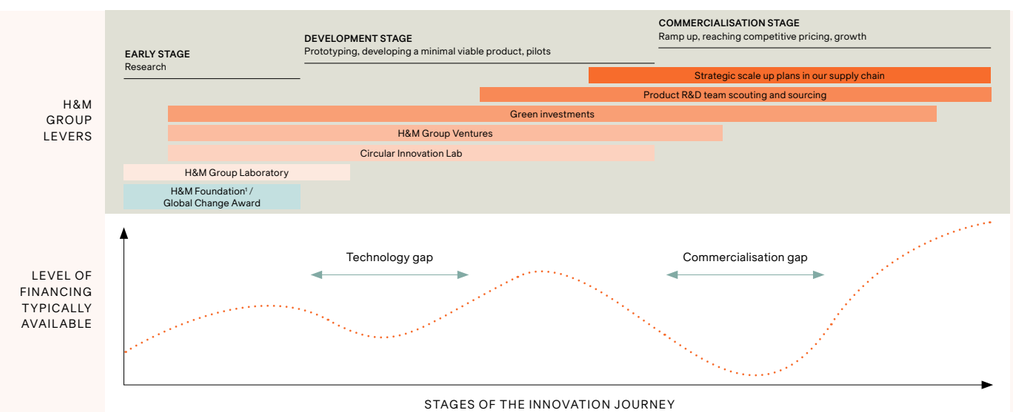
Our goal is for 100 percent of our materials to be either recycled or sustainably sourced by 2030 (in 2023 we achieved 85 percent), including 30 percent recycled materials by 2025 and a new ambition for 50 percent recycled materials by 2030. Through H&M Group brands, our Circular Innovation Lab and the investment arm H&M Group Ventures, we invest in and scale new materials, technologies and production processes. Companies in our portfolio of investments include for example Infinited Fiber Company, Keel Labs, Rubi, Smartex and TreeToTextile. These investments contribute to building our circular ecosystem, reduce resource use and support our customer offering.

The ability to keep products and materials circulating at their highest value is a key step towards reaching a circular fashion industry. We engage in industry-wide collaboration to support the development of necessary infrastructure, to help both gather and channel feedstock and convert this into usable material.

Read more about how we work with material choices in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

H&M Group Ventures invested in Infinited Fiber Company to increase the production capacity of its flagship plant and develop a full-scale plant. Its Infinna™ solution — man-made cellulosic fibres (MMCF) produced from recycled cotton waste — will help reduce our dependence on virgin cotton.

Investing in material and process innovation



Investing in innovation is a core part of our strategy that we dedicate significant resources to across H&M Group. We take a holistic approach, with the aim to support promising innovators through the common gaps in funding that occur at the development and commercialisation stages. We work with innovators at the start of their journey through our investment arm H&M Group Ventures and our Circular Innovation Lab — read more on page 31. H&M Foundation also supports fashion innovation at an early stage. To help bridge the commercialisation gap we continually support innovators to discuss material volume requirements with our brands and connect them closely to our supply chain network. Our brands make strategic plans and commitments with our supply chain. Our Green Investment arm engages at all stages of the innovation journey to fulfil our sustainability objectives through a cost-impact effective investment strategy.

1) The H&M Foundation is a global non-profit foundation dedicated to finding, funding and accelerating solutions for a socially inclusive and planet positive textile industry. The Foundation is privately funded by the Stefan Persson family — founders and main owners of the H&M Group.

Reducing greenhouse gas emissions

For our business and communities to thrive within planetary boundaries, we aim to decouple financial growth from the use of finite natural resources.

By 2030 at the latest, H&M Group aims to double revenue while at the same time halving its greenhouse gas emissions in line with our targets, which have been validated by the Science Based Targets initiative (SBTi):

- Reduce our absolute scope 1 and 2 GHG emissions by 56 percent by 2030, against a 2019 baseline.
- Reduce absolute scope 3 GHG emissions by 56 percent[1] by 2030, against a 2019 baseline.
- Reach net-zero by 2040.[2]

To reach these goals, we are working to reduce our own climate impacts, anticipate the risks climate change presents to our people, company and stakeholders, and invest in climate action beyond our value chain to safeguard our planet and our business. Our climate work is closely linked to our efforts to reduce impacts on water resources, biodiversity and land use, and our efforts to support human rights such as health, livelihoods, land rights and access to water.

Further decarbonisation initiatives

In partnership with DBS bank, H&M Group has initiated a financing programme that allows suppliers to access green loans. This is the first of its kind and contributes to energy efficiency and the decarbonisation of the apparel sector. Read more about our work with suppliers to decarbonise our supply chain in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

Renewable electricity in Bangladesh

H&M Group is continuing to work for electrification and to increase access to renewable electricity in the supply chain. One example is our plan to invest in Bangladesh's first offshore wind project, in a joint initiative with other actors in our industry. The collaboration was initiated by Global Fashion Agenda (GFA) and the project will be developed in partnership with Copenhagen Infrastructure Partners (CIP). This important step accelerates the transition of Bangladesh's renewable energy market and makes a major contribution to the decarbonisation of the apparel sector as a whole.

Within our operations and supply chain, we focus on:

- **Energy efficiency:** We are reducing energy use across our whole value chain — including our own operations and logistics activities and throughout our supply chain.
- **Renewable energy:** Alongside working to source 100 percent renewable electricity in our own operations, we engage with partners and suppliers to increase their use of renewable electricity, heat and steam. We are an RE100 member company and follow the RE100 standards.
- **Circularity:** We invest in and work to scale circular systems across our business — including our products, supply chains and customer journeys. These efforts are central to reducing our GHG emissions, as they reduce our dependence on virgin materials and enable the decoupling of revenue from resource use.

To catalyse wider change, we advocate for policy that aims to limit global temperature rise to 1.5°C and support legislation that accelerates the decarbonisation of our value chain. Even after the greatest possible reduction of GHG emissions across our value chain, a certain percentage of unavoidable emissions will remain. Therefore, we also invest in solutions to remove carbon dioxide from the atmosphere.

Read more about how we work to reduce GHG emissions in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

We joined Frontier, an advanced market commitment for permanent carbon removal, to support the scaling of this emerging sector — which we need to balance out the maximum residual 10 percent of our emissions after we have achieved our 2040 emission reduction target. Since joining in April, we have entered into offtake agreements — a contract to buy permanent carbon removals once they are delivered — directly with four different companies.[3]

1) Excluding indirect GHG emissions from use of sold products. We have in the past been engaging with the SBTi to identify a credible mitigation approach that would enable setting a high integrity target for indirect use-phase emissions. The engagement has not yet resulted in a way forward, but will be renewed once the current revision of the GHG Protocol is finalised (likely in 2025).
2) Target boundary includes 100% of scope 1 and 2 emissions, and 100% of minimum boundary scope 3 emissions (which excludes indirect emissions from use of sold products).
3) For more information see note 1 to the financial statements, Accounting principles.

Social impact across our value chain

Our business engages people worldwide — including colleagues in our stores, warehouses and offices, workers manufacturing our garments, farmers producing raw materials such as cotton and wool, and many more.

We are committed to respecting their rights and use international frameworks and principles to identify their needs, minimise risks, and manage our impact responsibly. We align our work with the International Labour Organization's (ILO) Fundamental Principles and Rights at Work. It is also informed by the ILO's definition of decent work, our Human Rights Policy and the UN Guiding Principles for Business and Human Rights, among others.

We adopt a systematic approach to human rights and environmental due diligence — the ongoing process we use to identify, prevent, mitigate and remedy potential and actual negative impact on people, while leveraging opportunities to advance their rights. Read more on pages 66-70.

To safeguard the rights of those in our supply chains, we focus on health, safety and wellbeing, labour rights and industrial relations, and compensation, benefits and social protection. The principles of inclusion and diversity are embedded across these three pillars, to support equal opportunity for all and ensure no one faces discrimination. We pay special attention to the needs and experience of women workers to create gender equal workplaces.

Read more about how we work with social impact in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

To continue to create positive impact for people, we mapped our activities across the value chain to evaluate potential risks to human rights, and opportunities to advance our sustainability goals. This allowed us to develop a new People Impact Tool and use the UN Guiding Principles framework to prioritise our actions based on likelihood and severity, in order to deliver the highest potential for positive impacts on people.

Logistics and distribution

Together with our investments within technology and AI, our logistics centres are an important part of our omni-model.

Across our global network we continue to improve our existing global logistics network to cater for an optimal product flow which includes flexibility and speed between sales channels, enabling improved availability. Our warehouses are a combination of state-of-the-art facilities and smart building management with features including photovoltaic panels, rainwater harvesting and biological sewage systems, to lower environmental impact.

By optimising transport solutions, we can both deliver on our customers' expectations and reduce our GHG emissions. We focus on selecting efficient equipment, filling transport units to their maximum level to reduce the number of units required, and tracking and analysing data to measure GHG emissions reductions.

We work solely with ocean carriers that are verified in accordance with the Clean Cargo Working Group protocol.

Through membership of initiatives such as the Smart Freight Centre, we drive the environmental agenda to reduce GHG emissions and promote responsible transports.

In selected markets our customers can choose their preferred delivery options. This includes mechanisms such as receive and return items using a bicycle delivery service, by foot, electric vehicles or vehicles powered by biogas or Hydrotreated Vegetable Oil (HVO) from the logistics centre. These options help to reduce GHG emissions compared to conventional delivery options. We are continually testing and developing new options, as well as scaling initiatives to more markets.

Packaging

Our products need to be protected when travelling between our suppliers, customers, distribution centres and stores, yet packaging is a significant global contributor to resource consumption and waste. We are addressing this challenge holistically and through activities, goals and partnerships connected to packaging reduction, design, material and end-of-life.

We are committed to lowering the environmental impact of our packaging. Our strategy is built on the key principles from the Ellen MacArthur Foundation (EMF): eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature. Currently, our packaging is made from 79 percent recycled or sustainably sourced materials and we have reduced plastic packaging volume by 55 percent from our 2018 baseline.

Our packaging goals support our wider climate, materials and circularity goals. We focus on reducing our environmental footprint caused by packaging by optimising the overall packaging used, tackling plastic pollution, and increasing the share of recycled and sustainably sourced materials. Read more in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

Key sustainability goals

Climate

— **2030:** Reduce absolute scope 1 and 2 greenhouse gas (GHG) emissions by 56 percent (baseline 2019).

— **2030:** Reduce absolute scope 3 greenhouse gas (GHG) emissions by 56 percent (baseline 2019).

Water & oceans

— **2030:** Reduce absolute total freshwater use by 30 percent (baseline 2022).

Biodiversity & land

— **2025:** 100 percent wood and wood-based material in products and packaging to come from either Forest Stewardship Council (FSC) certified sources or be made of recycled material.

Resource use

— **2025:** 30 percent of our materials to be recycled.

— **2030:** 100 percent of our materials[1] to be either recycled or sustainably sourced.

— **2030:** aim for 50 percent of our materials to be recycled.

Social impact

— **Ongoing:** Safe & inclusive workplaces for all.

— **Ongoing:** All sites have access to remedy.

Review our performance against our sustainability goals on pages 80-88. More detail is available in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

1) Includes all shell materials of commercial goods.

Collaboration and partnership

Collaboration and partnership

Collaboration between stakeholders throughout our industry is vital to reach our goals, and to tackle complex and interconnected challenges in the industry that require a shared commitment to progress. By driving the agenda together, we can enhance transparency, accountability and performance.

We collaborate with our business partners, experts, innovators, challengers, customers, communities, policymakers and many more. Our stakeholders represent or are themselves rights holders and affected stakeholders. These are individuals or groups that have interests that are or could be affected by H&M Group's activities. We regularly engage with our stakeholders to determine our most material issues — the areas in which we have the most impacts, risks and opportunities. Read more about our materiality assessment process on pages 66-69.

Open and constructive dialogue and collaboration with others within and outside our industry is an important part of our everyday operations. By exchanging diverse perspectives, we are challenged to do better and stay relevant so we can keep providing our customers with unbeatable value and new ways to enjoy fashion. Dialogue drives transparency, which is a prerequisite for accountability. We also engage with policymakers to help shape a legislative environment that will support a more sustainable fashion sector.

Read more about our partnerships and collaborations at hmgroup.com/sustainability.

H&M Move and Sport Without Borders have joined forces to empower young people with opportunities through sport. Part of H&M Move's community programme, Move Together, this two-year partnership is set to provide 2,500 young people in Sweden with meaningful activities during PE lessons, after school, and during school holidays.

Another two-year partnership — between H&M Move, Zlatan Ibrahimović and Laureus Sport for Good Italy — aims to engage 2,000 youths from vulnerable socioeconomic contexts in which the risk of social exclusion, bullying and school dropout is high. The collaboration promotes sports as a means of inclusion and education by offering free multi-sport activities in Milan, Rome, Palermo and Naples, starting with free summer camps.

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Administration report

The Board of Directors and the Chief Executive Officer of H & M Hennes & Mauritz AB (publ), 556042-7220, domiciled in Stockholm, Sweden, hereby submit their annual report and consolidated accounts for the financial year 1 December 2022 to 30 November 2023, hereinafter referred to as the 2023 financial year. Any references made to "H&M", "H&M Group", "the H&M group" and "the company" in this Administration Report refer hereinafter to H & M Hennes & Mauritz AB (publ).

BUSINESS

H&M Group is a customer-focused, creative, value-driven, responsible fashion and design company. All the group's brands share a passion to make great fashion and design available to everyone in a more sustainable way. The business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. Sales take place through digital and physical channels, which are increasingly being integrated to provide customers with a smooth and inspiring experience regardless of where, when and how they choose to meet us — in stores, on the brands' websites, in digital marketplaces or via social media. In some markets, the brands' products are sold via franchise partners.

The group consists of the brand H&M — which includes H&M HOME, H&M Move and H&M Beauty — and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories, ARKET, Afound and Singular Society. Each of the group's brands has its own unique identity. Together they complement each other and offer a variety of trends and styles at various price points for fashion, beauty, accessories and homeware.

The group also consists of New Growth & Ventures, which includes the investment arm H&M Group Ventures, Sellpy, Looper Textile Co. and Creator Studio. The aim for the growth area is to create new revenue streams and contribute to future growth for H&M Group. Opportunities to complement H&M Group's customer offering and take steps towards its sustainability goals are created through a variety of strategic partnerships and investments. The aim is not only to invest in early-stage businesses but also in partnerships and in healthy businesses that can scale quickly, thereby engaging with customers in new ways that add value, create additional growth, contribute to sustainable development and generate new learnings. This is creating opportunities to test new business models and new solutions faster, as well as enabling the scale-up and commercialisation of recycled and sustainably sourced materials. Through its investment arm, the group invests in start-ups and promotes entrepreneurship related to, for example, circularity in fashion and retail. Investments have been made in minority-owned companies such as Smartex, Kintra Fiber and Colorifix.

H&M Group makes fashion and design accessible to everyone in a way that is good for the business, while reducing negative impacts on the planet. The brands are working to shift to more circular business models for their products and services and are increasing the percentage of recycled and sustainably sourced materials in their collections.

Each brand has its own design and buying function consisting of people with diverse backgrounds, experiences and skills, which is key to producing relevant and inspiring collections for their particular customer group. H&M's central design and buying function creates its collections mainly in Stockholm, while COS — for example — has its design and buying function in London. Afound has a different business model. It is a marketplace for products from previous and current seasons — both from external brands and H&M Group's own brands — which are discounted to provide a new opportunity to attract customers. Creator Studio is a B2B service offering on-demand print services, enabling external brands and content creators to use H&M Group's supply chain to produce their own merchandise for sale. Sellpy is an e-commerce platform for second-hand sales with a business model that makes it easy for customers to buy and sell used items. Looper Textile Co. is an independent joint venture with Remondis that provides local municipalities and retailers with solutions to extend the useful life of unwanted garments via reuse and recycling. For more information see pages 16-30.

Comment on results

For many consumers the year was marked by lower purchasing power because of high inflation and high interest rates. Despite this, net sales increased in comparable markets in relation to the previous year. The improvement work in the supply chain and continued normalisation of the external factors that influence purchasing costs resulted in a stronger gross margin. A good operational cost control combined with the cost and efficiency programme that was initiated during the fourth quarter 2022 made it possible for decreased selling and administrative expenses in local currencies. The programme is expected to result in annual savings of around SEK 2 billion once fully implemented.

Information concerning exposure to Russia, Belarus and Ukraine

On 24 February 2022, H&M Group paused sales in Ukraine as a consequence of Russia's invasion.

On 2 March 2022, all sales in Russia and Belarus were also paused. On 18 July 2022, H&M Group announced that it had decided to begin winding down the business in Russia in a responsible manner. Sales were temporarily resumed between August and November 2022. By 30 November 2022, all 172 H&M Group stores in Russia had been permanently closed. The business in Belarus, where there were three stores, had also been wound down by this date.

In the fourth quarter 2023, cash flow was not impacted by the winding down of the business and cumulative payments in 2023 amounted to around SEK 1.0 billion.

The one-time cost for Russia charged to the full-year result for 2022 amounted to SEK 1,751 million.

In November 2023, the company began the process of reopening its stores in Ukraine. As at 30 November 2023, seven stores were open in this market. The company continues to monitor developments in Ukraine closely, and the safety of

colleagues and customers will always be the first and foremost priority.

Direction and targets
In 2023, H&M Group continued to implement its business plan, which aims to deliver long-term profitable growth in a more sustainable way. The business plan is based on the company's ongoing transformation, of which the company's sustainability and digital transformation objectives form a part. These objectives are to continue improving the customer offering for all brands, to build long-term and value-creating customer relationships, to offer an inspiring experience delivered through further integration of digital and physical channels, to continually adapt the supply chain so that it is increasingly efficient and based on demand, and to add more revenue streams based on new emerging business models and innovations. In line with H&M Group's goal of a strong capital structure with good liquidity and financial flexibility, the objectives are designed to support sound finances, while enabling continued freedom of action for growth and investment. Moving successfully towards these objectives is expected to result in long-term profitable growth, while at the same time reducing the company's climate impact. H&M Group's goal is that by 2030 at the latest it will double sales while at the same time halving its greenhouse gas emissions. The baseline for the sales goal is 2021, while the baseline for reducing greenhouse gas emissions is 2019. In 2023 the company has taken important steps towards its long-term goals. Profitability is to exceed 10 percent over time and the ambition is to achieve this for full-year 2024. Profitability refers to operating profit in relation to sales. H&M Group's target to increase sales by 10–15 percent per year with continued high profitability remains a long-term target.[1]

Expansion through integrated channels
H&M Group's expansion is taking place with a focus on increased omni-channel sales. Customers want to be able to shop and be inspired where, when and how they choose — in stores, on the brands' own websites, on digital marketplaces and on social media.

Albania became a new store market for H&M in 2023. In the first half of the year, H&M opened online in Ecuador and Vietnam, as well as beginning a collaboration with Superbalist.com in South Africa. H&M was launched on two new marketplaces: JD.com and, via franchise, on Namshi.com.

ARKET opened its first stores in Estonia and in Switzerland during the financial year, while in December the first store in Riga, Latvia also opened. Mexico became a new store market for COS when it opened its first flagship store, while & Other Stories opened its first store in Switzerland. Both & Other Stories and COS opened on Iconic.com in Australia and New Zealand during the year. At the same time, Monki expanded its presence on Zalora.com by adding a further market when it launched in Hong Kong.

In the 2023 financial year, H&M Group opened 101 (91) stores and closed 197 (427) stores, making a net decrease of 96 (336) stores. The group had a total of 4,369 (4,465) stores as at 30 November 2023, of which 282 (288) were operated by franchise partners. The breakdown of the stores is as follows: 3,872 (3,947) H&M, 245 (259) COS, 64 (78) Monki, 72 (71) & Other Stories, 53 (54) Weekday, 30 (25) ARKET, and 33 (31) H&M HOME.[2]

In 2024, the company is stepping up the pace of investment in existing stores to provide an even more inspiring experience while also securing its store portfolio for continued profitability and growth. In 2024, ARKET will open its first stores in Spain, Italy and Poland.

H&M Group continuously renegotiates a large number of leases, which also involves rebuilds and adjustment to the number of stores and amount of store space to ensure it has the best store portfolio in each market. H&M Group's contracts allow around a third of leases to be renegotiated or exited each year. The store portfolio has reached a level of fewer closures going forward, while at the same time new stores will be opened. For 2024, the plan is to open around 100 new stores and close around 160 stores, making a net decrease of around 60 stores. These portfolio changes will start to make a positive contribution to H&M Group's sales. Most of the openings will be in growth markets, while the closures will mainly be in established markets.

Five year summary

	2023	2022	2021	2020	2019[3]
Net sales, SEK m	236,035	223,553	198,967	187,031	232,755
Operating profit, SEK m	14,537	7,169	15,255	3,099	17,346
Operating margin, %	6.2	3.2	7.7	1.7	7.5
Profit after financial items, SEK m	13,010	6,216	14,300	2,052	17,391
Earnings per share, SEK[4]	5,35	2,16	6,65	0,75	8,12
Cash flow from operating activities per share, SEK[4]	20.84	15.00	26.96	15.65	17.51
Return on equity, %	17.7	6.4	19.2	2.2	23.3
Equity/assets ratio, %	26.3	27.9	33.4	31.3	47.4
Average number of employees	101,103	106,522	107,375	110,325	126,376

For definitions of key performance measures see page 138-140.

1) The baseline for the sales goal is 2021. H&M Group's goal is to reduce its greenhouse gas emissions in absolute figures by 56 percent by 2030 (baseline 2019) in accordance with the Science Base Targets initiative (SBTi). Profitability refers to operating profit in relation to sales.
2) Concept store H&M HOME is also available through shop-in-shop in 433 H&M stores.
3) Excluding IFRS 16
4) Before and after dilution, excluding own shares.

Employees
H&M Group's business is characterised by a fundamental respect for the individual. The company is committed to treating all employees equally, with respect and dignity, and to empowering them to be who they want to be. Everyone working for H&M Group should expect fair compensation and benefits, to work in healthy, safe and inclusive workplaces free from discrimination, and the right to freedom of association.

H&M Group's values have guided employees since the day the company was founded, and continue to support the business today. The group's culture, values, and empowering leadership are actively and consciously integrated throughout the entire organisation. This supports the mindsets and behaviours needed to stay ahead and remain relevant, and helps to attract and develop people who have the right competences and ambition to grow with the company.

To stay successful and competitive, H&M Group creates customer value by having a clear direction, adapting to a constantly changing world and acting fast. The company's continuous development includes advancing digitalisation, utilising new technologies, securing the right competences, simplifying the organisational structure and establishing more efficient ways of working.

The average number of employees in the group as at 30 November 2023, converted into full-time positions, was 101,103 (106,522), of which 10,281 (10,447) were employed in Sweden. Of this average number of employees, around 74 percent were women. Of those in leadership positions within the company, such as store managers and country managers, 64 percent were women.

EVENTS AFTER THE CLOSING DATE
On 31 January 2024, Helena Helmersson chose to leave the CEO role and H&M Group, and the board of directors appointed Daniel Ervér, responsible for the brand H&M, as new President and CEO of H&M Group with immediate effect.

On 25 February 2024 the board of directors of Re:NewCell AB, one of the H&M Group's investments made via New Growth & Ventures, announced their decision to file for bankruptcy. Re:NewCell AB was declared bankrupt by the Stockholm District Court on 26 February 2024. The H&M Group's shareholding as at 30 November 2023 amounted to SEK 34 m and is included in the balance sheet item Other shares and interests. In December 2023 the H&M Group issued a loan of SEK 45 m to Re:NewCell AB.

On 6 March 2024 it was announced that the H&M group and Vargas Holding launch Syre, a new venture to scale textile-to-textile recycled polyester. The H&M group has secured an offtake agreement with Syre worth a total of USD 600 million over seven years, covering a significant share of the H&M group's long-term need for recycled polyester, which is currently primarily sourced from rPET bottle-to-textile.

ARTICLES OF ASSOCIATION, ANNUAL AND GENERAL MEETING
Detailed information on H&M Group's articles of association, the constitution of the Board of H & M Hennes & Mauritz AB and its annual general meeting (AGM) can be found on pages 52-66.

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

Following implementation of the resolution passed by the annual general meeting on 4 May 2023 the 25,385,163 class B treasury shares repurchased during 2022 as part of H&M Group's buyback programme were cancelled.

The Board of Directors decided to utilise the authorisation granted by the 2023 annual general meeting and in September 2023 began a SEK 3 billion share buyback programme. As at 30 November 2023 a total of 7,138,790 B shares in H&M had been repurchased for a sum of SEK 1,123 million and the programme was completed on 1 March 2024. It is intended that the shares repurchased will be cancelled through a resolution at the 2024 annual general meeting. As at 30 November 2023 the number of shares outstanding, excluding own shares, is 1,622,548,047. In the 2023 financial year a dividend of SEK 10,577 million was distributed.

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

CORPORATE GOVERNANCE REPORT
In line with forthcoming regulatory changes such as the Corporate Sustainability Reporting Directive and to ensure a more harmonised Annual and Sustainability Report, H&M Group has elected to integrate reporting on corporate governance into the Administration Report, the report can be found on pages 52-79. The Corporate Governance report will

also be available as a standalone document at hmgroup.com/investors/reports/.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The annual general meeting held on 6 May 2021 adopted the following guidelines for remuneration of the senior executives.

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

The long-term variable remuneration, which applies only to the executive management team including the CEO, will be measured over a five-year period in order to reward long-term value creation for H&M.

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

The H&M group's business plan aims to deliver long-term, sustainable and profitable growth. The business plan builds on the company's ongoing transformation work and is illustrated by a number of objectives to which the company's sustainability efforts and digital transformation contribute. These objectives are to continue improving the customer offering for all the brands, to build long-term and value-creating customer relationships, to offer an inspiring experience with integrated digital and physical channels, to adapt the supply chain so that it is faster and more flexible based on demand, and to add more revenue streams based on new emerging business models and innovations. Moving successfully towards these objectives is expected to result in finances remaining sound and sustainable, in accordance with the H&M group's target of a strong capital structure with good liquidity and financial flexibility, allowing continued freedom of action for growth and investments.

The board considers it important that senior executives are paid competitive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance. To work successfully according to the company's business plan and safeguard the company's long-term interests the company needs to be able to recruit, motivate and retain talented, committed employees. Senior executives shall be compensated at what are considered by the company to be competitive market rates, based partly on industry comparisons. Levels of compensation shall be based partly on the significance of the duties performed, i.e. the ability to affect the overall development of the group, and partly on the employee's competencies, experience and performance. Together these decide the level of remuneration for the individual concerned. Over time, the largest portion of the remuneration shall consist of the fixed basic salary. The forms of compensation shall motivate senior executives to do their utmost to ensure the good financial and sustainable development of the H&M group.

Types of remuneration

The total remuneration may consist of the following components:

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

Fixed basic cash salary

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

Variable remuneration

The variable remuneration may consist of a short-term and a long-term portion.

There shall be a clear link between the level of performance-based variable remuneration paid and the H&M group's financial and sustainable development. Senior executives' variable remuneration shall therefore depend on the fulfilment of targets.

The targets shall aim to promote the H&M group's development in both the short and the long term.

Short-term variable remuneration: Fulfilment of targets shall be measured over a period of one year. The short-term variable remuneration shall be based on fulfilment of targets in the following areas:

- The H&M group's total sales;
- The H&M group's total operating profit;
- fulfilment of the objectives in the various areas of the business plan, which include sustainability; and
- assessment of leadership and compliance with values.

For the last two performance parameters it is the individual's performance within their own area of responsibility that is assessed. For the financial targets, the assessment is to be based on the most recent financial year. The board of directors is responsible for this assessment in the case of short-term variable remuneration to the CEO. In the case of short-term variable remuneration to other senior executives, the CEO is responsible for the assessment.

Each of these four predetermined performance parameters has equal weighting, i.e. each represents a quarter of the total target fulfilment. However, there is a threshold value for the second parameter, i.e. operating profit, which means that if this value is not reached then no short-term variable remuneration will be paid regardless of target fulfilment for the other three parameters. The short-term variable remuneration, which at individual level is based on the extent to which the person's duties and position influence the overall development of the group, may amount to 0-3 months' salary, 0-6 months' salary or 0-12 months' salary. Monthly salary refers to fixed basic cash salary. If the target levels set by the board are fulfilled, half of the maximum remuneration in each range shall be paid. To receive a payment in the higher part of the range within the set framework, therefore, the predetermined target levels are required to be exceeded.

Half of the remuneration payment shall be invested in H&M shares that must be held for at least three years. Each year the board will set target levels for each of the four performance parameters for the coming year.

Long-term variable remuneration: The long-term variable remuneration shall be based on target fulfilment measured over five financial years starting from the current 2021 financial year and ending at the close of the 2025 financial year. This period, i.e. 1 December 2020 – 30 November 2025, is known as the measurement period. The long-term variable remuneration — which shall apply only to the executive management team including the CEO, totalling 15 individuals — shall be based on fulfilment of targets within the following areas:

- The H&M group's total sales;
- The H&M group's total operating profit;
- fulfilment of the objectives in the various areas of the business plan in total, which include sustainability; and
- assessment of leadership and compliance with values.

Each of these four predetermined performance parameters shall have equal weighting, i.e. each represents a quarter of the total target fulfilment. For the long-term variable remuneration the assessment of the financial targets shall be based on a summing up of the past five financial years, with fulfilment of the annual target levels in the short-term arrangement — i.e. within sales and profit — forming the basis for target fulfilment in the long-term arrangement. For the other two performance parameters — i.e. fulfilment of the business plan, and leadership and compliance with values — an overall assessment is to be made of the total for the H&M group for the entire measurement period. After the measurement period has ended the board is responsible for an overall assessment based on the four performance parameters and for deciding the long-term variable remuneration that will be paid to the CEO. The long-term variable remuneration to be paid to other senior executives will be established by the board in consultation with the CEO.

A precondition for receiving the long-term portion shall be that the participants make an initial investment of their own in H&M shares, amounting to around 10 percent of their fixed basic annual cash salary after tax, close to the 2021 annual general meeting. These shares shall then be held for the entire measurement period. After three years, provided they remain employed by the group, the initial investment will be matched by the receipt of a cash amount after tax equal to two times their own initial outlay. This sum is to be invested in H&M shares as soon as possible. These shares are also to be held for the entire measurement period.

The aim of the initial investment of their own in H&M shares as well as the investment of the matching sum in H&M shares is to build up their own shareholding in H&M in order thereby to further align the interests of the executive management team with the interests of the shareholders in the good, long-term development of the company.

The maximum total remuneration within the framework of the long-term variable remuneration arrangement for the entire measurement period, which includes both the matching amount in year 3 and the remuneration in year 5 after the measurement period has ended, may vary between SEK 1.75 million net after tax and SEK 7 million net after tax depending on the individual's duties and the extent to which their position affects the overall development of the group.

The H&M group's total cost, including social security costs, for the long-term variable remuneration is expected to amount to a maximum of around SEK 150 million. A provision of SEK 30 million per year is expected to be made for a total of five years.

Pension benefits

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

In the case of other senior executives, pension benefits — including sickness insurance — are to be on a defined contribution basis unless the executive is covered by a defined benefit pension plan under the mandatory provisions of collective bargaining agreements. The pension premiums for the year must not exceed 40 percent of the senior executive's annual fixed basic salary.

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

The retirement age for the CEO is 65.

The retirement age for other senior executives varies between 62 and 65 years.

Other benefits

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

Termination of employment

The period of notice for senior executives may vary between three and 12 months. Variable remuneration is not to be paid if the individual has given notice to terminate their employment.

The CEO is entitled to 12 months' notice. In the event that the company terminates the CEO's employment contract, a year's fixed basic cash salary may also be paid to the CEO as severance pay. No other severance pay is payable.

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

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

Decision process for establishment, review and implementation of the guidelines
The company has no remuneration committee, since the board of directors deems it more appropriate for the entire board to carry out the tasks of a remuneration committee. The board prepares proposed guidelines for remuneration to senior executives and these proposals are presented at the annual general meetings. The board is to prepare a proposal for new guidelines at least every four years and submit the proposal for decision by the annual general meeting. The guidelines shall apply until new guidelines have been adopted by the annual general meeting. The board shall also monitor and evaluate programmes for variable remuneration to the company's management and the application of the guidelines for remuneration to senior executives, as well as current remuneration structures and levels in the company. The board shall further decide on the CEO's salary in accordance with the guidelines in effect and shall continually evaluate the work of the CEO. Once a year this matter is to be discussed separately in conjunction with the setting of the CEO's remuneration for the coming year. To avoid conflicts of interest, no member of the company's management is to be present when the board discusses remuneration matters.

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

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

The board may decide to temporarily deviate from the guidelines in full or in part if there is particular reason to do so in an individual case and this is necessary in order to provide for the company's long-term interests and sustainability or to ensure the financial viability of the company.

NO CHANGES PROPOSED TO THE 2024 AGM
The Board is not proposing any changes to the guidelines for remuneration of senior executives to the 2024 AGM.

FINANCING AND LIQUIDITY
H&M Group aims to secure financial flexibility and freedom of action on the best possible terms. As previously, the efforts focus on continued improvements in working capital, cash flow and more efficient financing.

Cash flow and working capital
Cash flow from operating activities for the full year increased by 37 percent to SEK 33,949 million (24,745). Operating working capital amounted to SEK 19,632 million (24,419).

Cash flow was significantly improved compared with the previous year. Good earnings development combined with the release of working capital as a result of improved inventory efficiency contributed to the development.

Liquidity and debt financing
H&M Group's liquidity remains very good. As at 30 November 2023 cash and cash equivalents amounted to SEK 26,398 million (21,707). In addition, the group has undrawn credit facilities of SEK 18,172 million (17,469). The total liquidity buffer, i.e. cash and cash equivalents plus undrawn credit facilities, amounted to SEK 44,570 million (39,176).

Financial net cash amounted to SEK 9,316 million (10,929). Net debt including provisions for pensions and lease liabilities amounted to SEK 51,951 million (51,261). Net debt in relation to EBITDA amounted to 1.4 (1.7) including IFRS 16. Until the fourth quarter H&M Group has calculated net debt in relation to EBITDA excluding IFRS 16 effects. After consideration H&M Group has decided to include IFRS 16 effects in the calculation; see more information under Target capital structure – update.

Interest-bearing liabilities in the form of commercial papers, bonds and loans from credit institutions amounted to SEK 17,082 million (10,778). The average maturity of interest-bearing liabilities was 5.1 (4.3) years.

A maturity analysis of outstanding interest-bearing liabilities and undrawn credit facilities as at 30 November 2023 is given in note 2. Lease liabilities are not included.

With a view to improving the maturity structure of the group's interest-bearing liabilities and to support financing of projects within circularity and climate, H&M Group issued its first green bond in October. The EUR 500 million bond has a term of eight years and generated great interest among a broad international base of institutional investors, being more than 3.5 times oversubscribed. At the time the bond was issued, H&M Group entered into an interest rate swap that converts the bond's fixed interest rate to a variable rate.

SHARE BUYBACKS
The Board of Directors decided to utilise the authorisation granted by the 2023 annual general meeting and in September 2023 began a SEK 3 billion share buyback programme. As at 30 November 2023 a total of 7,138,790 B shares in H&M had been repurchased for a sum of SEK 1,123 million and the programme was completed on 1 March 2024. It is intended that the shares repurchased will be cancelled through a resolution at the 2024 annual general meeting.

TARGET CAPITAL STRUCTURE – UPDATE
H&M Group has decided to make two updates to its target capital structure Net debt/EBITDA:

- Include IFRS 16 effects: H&M Group has previously defined the capital structure exclusive of lease liabilities, interest expense on lease liabilities, and depreciation of right-of-use assets arising from IFRS 16. After consideration H&M Group has decided to update the target capital structure by including these IFRS 16 effects in the definition of the target capital structure measure Net debt/EBITDA. Including IFRS 16 effects simplifies communication with internal and external stakeholders concerning debt and capital structure. From now on it will be possible to derive the key performance indicators directly from the financial reporting in H&M Group's income statement and balance sheet.

- Defined target range: H&M Group has decided to define the target capital structure as a range to be managed within instead of having a ceiling that should not be exceeded, as previously. The target capital structure remains one of the most important targets for decisions on capital allocation, and the updated range is intended to further clarify H&M Group's views on debt and capital structure. The updated range is 1.0–2.0 x EBITDA over time including IFRS 16 effects, and H&M Group's capital structure has remained within this range in recent years.

H&M Group's financial risk profile does not change as a result of these updates.

CAPITAL STRUCTURE
H&M Group advocates a conservative leverage ratio, aiming for a strong capital structure with strong liquidity and financial flexibility. It is essential that, as in the past, expansion and investments can proceed with continued freedom of action. The capital structure is defined as Net debt in relation to EBITDA. Including IFRS 16 effects it should be within the range 1.0–2.0 x EBITDA over time. As at 30 November 2023 Net debt/EBITDA including IFRS 16 effects was 1.4 (1.7) with a financial net cash of SEK 9,316 million (10,929).

Proposed authorisation to allow share buybacks
As part of creating further flexibility with regard to the group's capital structure, the Board of Directors will ask the 2024 annual general meeting for a general authorisation allowing the Board to buy back the group's own B shares in the period up to the 2025 annual general meeting. This general authorisation is one of the tools for the Board to use if surplus liquidity is identified. If the annual general meeting authorises the Board and the Board chooses to utilise this authority, amounts and other details will be communicated.

DIVIDEND POLICY
The Board of Directors' intention is for H&M Group to continue to provide shareholders with a good return while ensuring that growth and investments in the business can proceed with a continued strong financial position and freedom of action. Based on this, the Board of Directors has proposed a dividend policy stating that the ordinary dividend over time is to exceed 50 percent of profit after tax and additionally that identified surplus liquidity – taking into consideration the capital structure target and investment requirements – can be distributed to shareholders through an extra dividend or a buyback programme.

Proposed distribution of earnings
The funds at the disposal of the parent company are SEK 16,065 million. The Board of Directors is proposing to the 2024 annual general meeting that a dividend of SEK 6.50 per share is paid, totalling SEK 10,468 million and that the remaining earnings of H & M Hennes & Mauritz AB of SEK 5,597 million are carried forward. The dividend will be paid in cash, split into two instalments. The first payment of SEK 3.25 will be made in May and the second payment of SEK 3.25 will be made in November. The Board's proposed record dates are 7 May 2024 and 8 November 2024. If the annual general meeting approves the Board's proposal, the dividend is expected to be paid out on 13 May 2024 and 13 November 2024.

The Board's assessment is that the proposed distribution of earnings is justifiable taking into consideration the good cash flow, continued strong financial position and ability to make future investments (capex). The proposal takes into consideration the financial position and continued freedom of action of the group and the parent company, the capital structure target and the requirements that the nature and extent of the business and its risks, expansion and development plans impose on the equity and liquidity of the group and the parent company.

The Board is proposing to the 2024 AGM that a cash dividend of SEK 6.50 per share is paid.

The following funds are at the disposal of the annual general meeting[1]	SEK 16,065,251,926
The Board proposes a dividend to the shareholders of SEK 6.50 per share[2]	SEK 10,468,524,463
To be carried forward as retained earnings	SEK 5,596,727,463
Total	**SEK 16,065,251,926**

1) Including the remaining amount of SEK 1,877 m for the, per 30 November 2023, ongoing share buyback programme.
2) Based on outstanding shares, excluding own shares, as per 21 March 2024.

Corporate governance report

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

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

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

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

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

EXTERNAL & INTERNAL GOVERNANCE

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

Examples of external regulations and frameworks include:

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

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

Examples of internal control documents include the company's:

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

Corporate governance in Sweden

H&M Group has applied the Code since 2005. The Code is based on the principle of "comply or explain", which means that companies applying the Code may deviate from individual rules, provided they explain how they have deviated from the Code, provide the reasons for the deviation and describe the alternative approach they have adopted. The full Code is available at corporategovernanceboard.se.

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

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

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

Ethics, transparency, and risk management

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

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

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

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

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

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

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

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

Climate risks has been identified as part of the company's most significant risks (see the company's TCFD Report, page 75). The Board monitors implementation of strategies within the sustainability area and initiates changes and updates where needed. These procedures and governance mechanisms

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

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

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

Here you will find, among other things:

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

In line with forthcoming regulatory changes such as the Corporate Sustainability Reporting Directive and to ensure a more harmonised Annual and Sustainability Report, H&M Group has decided to integrate reporting on corporate governance into the Administration Report, which can be found on pages 52-79. The Corporate Governance report will also be available as a standalone document at hmgroup.com/investors/reports/.

H&M GROUP'S GOVERNANCE STRUCTURE

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

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

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

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

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

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of H&M Group have the final decision on the company's governance. Shareholders vote at the general meeting to adopt the articles of association, which determine what the business will focus on, and to appoint the Board of Directors and its chair, whose task is to administer the company's affairs on behalf of the shareholders. The shareholders at the general meeting also elect auditors and decide on the composition of and instructions for the Nomination Committee.

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

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

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

Shareholders' decision-making powers
Among other things, the general meeting makes decisions concerning:

- The election of board members and the chair of the Board
- Board fees, including the compensation paid to members for work on the Audit Committee
- Discharging members of the Board and the CEO from liability
- Amendments to the articles of association
- The election of the auditors
- The adoption of the income statement and balance sheet
- The distribution of the earnings for the past financial year
- The resolution on composition of and instructions for the Nomination Committee
- Guidelines for remuneration to senior executives

Articles of association
According to H&M Group's articles of association, H&M's Board of Directors is to consist of at least three and no more than 12 members elected by the general meeting and no more than the same number of deputies. The AGM decides the exact number of board members and which individuals are to be elected to the Board. Board members are elected for the period until the close of the next AGM. The general meeting also decides on amendments to the articles of association.

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

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

The main resolutions passed were as follows:

- The lawyer Andreas Steen was elected as chair of the meeting.
- Balance sheets and income statements were adopted for H&M and for the group.
- The dividend would be paid to shareholders in two instalments, the first payment on 8 May 2023 (SEK 3.25 per share) and the second payment on 10 November 2023 (SEK 3.25 per share). The remainder of the company's earnings would be carried forward.
- The board members and the CEO were discharged from liability for the 2021/2022 financial year.
- The number of board members elected by the meeting to serve until the close of the next AGM was set at eight, with no deputies.
- The following ordinary board members were re-elected: Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Christian Sievert, Niklas Zennström and Karl-Johan Persson. Christina Synnergren was elected as new board member.
- Karl-Johan Persson was re-elected as the chair of the Board.
- The board fees proposed by the Nomination Committee were approved as follows: chair of the board SEK 1,850,000; board members elected by the AGM SEK 800,000; members of the Audit Committee an additional SEK 200,000; and the chair of the Audit Committee an additional SEK 300,000.
- Deloitte AB was appointed as the auditors until the close of the 2024 AGM. Auditors' fees are to be paid based on approved invoices.
- The Board's remuneration report was approved.
- A reduction in the share capital, for allocation to non-restricted equity, was approved through the cancellation of the 25,385,163 class B treasury shares repurchased within the framework of H&M Group's buyback programme, resulting in a reduction of the share capital of SEK 3,173,145.375. To restore the share capital, the AGM simultaneously resolved to increase the share capital by SEK 3,173,145.375 through a bonus issue without issuing new shares, with the amount of the reduction being transferred from non-restricted equity.
- The Board was authorised to make decisions concerning the purchase of own Series B shares on as many occasions as it deems appropriate in the period up to the 2024 AGM for a total amount not exceeding SEK 3 billion.

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

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

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

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

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

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

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

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

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

As in previous years, the 2023 AGM resolved that the auditors' fees should be paid based on invoices submitted and approved. The fees invoiced by the auditors over the past two financial years are reported in note 11 of the Annual and Sustainability Report for 2023.

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

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

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

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

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

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

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

Composition of H&M Group's Board and independence of its members
The board members are elected by the shareholders at the general meeting, normally at the AGM and for the period up to and including the next AGM. Since the 2023 AGM the Board has consisted of eight ordinary members, with no deputies, as well as three employee representatives and three deputies for these positions. Only the employee representatives and their deputies are employed by the company. Since the 2023 AGM the Board has consisted of the following members elected by the general meeting: Karl-Johan Persson (chair), Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Christian Sievert, Christina Synnergren and Niklas Zennström. Tim Gahnström, Ingrid Godin and Louise Wikholm are the regular employee representatives, with Ramon Horvath, Agneta Gustafsson, and Margareta Welinder as their deputies. For more information about H&M's board members see pages 58-60.

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

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

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

Board profiles

KARL-JOHAN PERSSON

Chair of the board.

Born 1975.

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

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

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

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

STINA BERGFORS

Board member.

Born 1972.

Primary occupation Entrepreneur and board assignments.

Other significant board assignments Member of the boards of Carlssons Skola, Handelsbanken and Tele2. Stina is also involved in the Prince Daniel Fellowship at the Royal Swedish Academy of Engineering Sciences (IVA).

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

Professional experience
1998–2000 TV3 MTG Sales.
2000–2004 Media strategist OMD Nordics.
2005–2008 CEO of Carat Sverige AB.
2008–2013 Country director for Google and YouTube in Sweden.
2014–2020 Founder and CEO, and later business development, at United Screens.

ANDERS DAHLVIG

Board member and member of the Audit Committee.

Born 1957.

Primary occupation Board assignments.

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

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

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

CHRISTIAN SIEVERT

Board member and chair of the Audit Committee.

Born 1969.

Primary occupation CEO of AB Max Sievert.

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

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

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

CHRISTINA SYNNERGREN

Board member.

Born 1978.

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

Other significant board assignments No other significant board assignments.

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

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

NIKLAS ZENNSTRÖM

Board member.

Born 1966.

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

Other significant board assignments Member of the boards of Atomico, Zennström Philanthropies, Farmdrop, Rovio, Orbital Systems and Lilium.

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

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

LENA PATRIKSSON KELLER

Board member.

Born 1969.

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

Other significant board assignments Member of the boards of Elite Hotels, Wanås Art Foundation, Jeanerica AB and Maria Nilsdotter AB. Lena is also involved in the Prince Daniel Fellowship at the Royal Swedish Academy of Engineering Sciences (IVA).

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

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

DANICA KRAGIC JENSFELT

Board member.

Born 1971.

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

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

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

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

Employee representative profiles

INGRID GODIN

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

Born 1959.

Employed since 2002.

Current position Warehouse worker, Eskilstuna DC.

AGNETA GUSTAFSSON

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

Born 1969.

Employed since 1988.

Current position Sales advisor, H&M Jönköping.

LOUISE WIKHOLM

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

Born 1980.

Employed since 2014.

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

TIM GAHNSTRÖM

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

Born 1979.

Employed since 2015.

Current position Solution architect (Business Tech).

RAMON HORVATH

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

Born 1979.

Employed since 2020.

Current position Data Engineer, AIAD, Business Tech.

MARGARETA WELINDER

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

Born 1962.

Employed since 2000.

Current position Omni-buyer, H&M.

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

The CFO also attend the board meetings to provide financial information. The Board is assisted by a secretary who is not a member of the Board. During they year the board held six meetings. The attendance during the board meetings was, like in previous years, very high, see the attendance for each board member in the table on page 62.

Board members and 2023 meetings
The Board of Directors has eight members elected at the AGM, four women and four men, and three employee representatives supported by three deputies appointed by employee organisations in accordance with Swedish law. In total, the Board has 14 members – eight women and six men.

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

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

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

Work of the Board in 2023
H&M Group's board meetings are generally structured as shown below. This is supplemented by one or more business presentations.

The following are usually reviewed at each board meeting:

- Minutes of the previous meeting
- The CEO's status report and report by the CFO
- Strategic matters
- Feedback from the latest Audit Committee meeting
- Financial reporting such as the interim report, full-year report, and the Annual and Sustainability Report
- Any other business

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

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

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

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

Since H&M Group does not have a separate review function (internal audit function) for work on internal control but has instead established its own model for managing the company's risk and internal control (see pages 66-79), once a year the Board assesses the need for a separate internal audit function. In 2023, the Board again reached the conclusion that the present model for monitoring internal control is satisfactory.

Ahead of the AGM, the Board presented a remuneration report for 2022 in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Stock Market Self -Regulation Committee. The remuneration report describes how the guidelines for remuneration within H&M Group adopted at the 2021 AGM were applied in the 2022 financial year. The remuneration report for 2022 is available at hm.com.

H&M Group does not have a remuneration committee since the Board of Directors deems it more appropriate for the entire board to carry out the tasks of a remuneration committee, which is entirely in accordance with requirement 9.2 of the Code. The Board prepares the proposed guidelines for remuneration to senior executives that are presented at the AGM, and it is the Board that decides on the CEO's salary in accordance with the latest guidelines adopted at the AGM. The Board continually assesses the CEO's work and once a year discusses this matter alongside setting of the CEO's remuneration for the coming year. No member of executive management is present when this is discussed.

The Board continually evaluates its work, and the chair of the Board is in regular contact with board members between meetings as part of the Board's work and its evaluation process. Among other things this evaluation covers working methods, the working climate, wishes and the main focus of the Board's work. It also focuses on access to and the need for specialist expertise within the Board. The evaluation is used as a tool for how the Board 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 2023 FINANCIAL YEAR

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

1) Independent of the company and company management in accordance with the Swedish Corporate Governance Code.
2) Independent of major shareholders in the company in accordance with the Swedish Corporate Governance Code.
3) Fees as resolved at the 2022 AGM. This means that the fees related to the period until the next AGM, i.e. for the period 4 May 2022 to 4 May 2023. The amounts were paid out after the 2023 AGM.
4) Attendance via technology is equated with attendance in person.
5) There is no outstanding share- or share price-related incentive programme for the Board of Directors.
6) Ramsbury Invest AB owns 194,400,000 class A shares and 708,744,122 class B shares as of 30 November 2023.
7) 6,000 shares held by spouse.
8) 1,200 shares owned through Lena Patriksson Keller's private company Verdani Holding AB. 9,450 shares held by spouse and children.
9) Christian Sievert is not considered independent of Ramsbury Invest AB since Ramsbury Invest AB is a major shareholder in a company of which Christian Sievert is CEO.
10) Shares held by related parties: 19,000 shares held through Christian Sievert's company Whitechris Industri AB and 2,400 shares held by spouse and children. Supplementary disclosure: in addition to Christian Sievert's shareholding shown above, Christian Sievert holds 9,000 H&M shares via a pension plan.
11) Christina Synnergren purchased shares during February 2024.
12) 750 shares owned through Erica Wiking Häger's company Erica Wiking Häger Advokataktiebolag.
13) Erica Wiking Häger left the board at the annual general meeting in May 2023 and Christina Synnergren was elected as a new board member.
14) Ramon Horvath replaced Hampus Glanzelius during the spring 2023 as deputy employee representative.

Nomination Committee

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

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

— Karl-Johan Persson, chair of the Board

— Stefan Persson, Ramsbury Invest AB

— Lottie Tham

— Joachim Spetz, Swedbank Robur Fonder

— Karin Eliasson, Handelsbanken Fonder

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

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

Before the 2023 AGM the Nomination Committee held two meetings at which minutes were taken. The committee was also in contact at other times. As a basis for its work to analyse the composition of the Board ahead of the 2023 AGM, the Nomination Committee studied the report by the chair of the Board on the work of the Board of Directors. The Board's work has functioned well over the course of the year, with great commitment from the individual members. The report by the chair of the Board, along with interviews conducted with board members elected by the general meeting, also informed the Nomination Committee's proposal to the 2023 AGM regarding the composition of the Board. The different competencies of board members are complementary, which contributes to a good whole. All the members attended all the board meetings and showed great commitment, both at and between the meetings.

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

The Nomination Committee judged that the proposed board complied well with section 4.1 of the Code, which the Nomination Committee uses as the standard in relation to diversity policy. The policy aims to ensure that the proposed board exhibits the required diversity and breadth of qualifications, experience, and background, as well as gender balance. H&M Group's Board has had a good gender balance for many years. The board members proposed, and subsequently elected by the meeting, consisted of four women and four men. The Board thus achieves the long-term ambition communicated by the Swedish Corporate Governance Board, which wants owners to speed up developments towards a share of around 40 percent for the less well represented gender on the boards of major listed companies.

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

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

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

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

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

Audit Committee

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

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

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

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

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

The meetings were also attended by, among others, the CFO, the chief accountant, the head of investor relations[1] and the head of corporate governance. Minutes from the committee's meetings were distributed to all board members.

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

- The company's financial reporting, including interim reports, and the Corporate Governance report as part of the Annual and Sustainability Report.
- Compliance with H&M Group's internal control and risk management processes and review of its overall risk analysis, including sustainability risks.
- Information provided by the following functions and departments on their work: People & Organisational Development; Security; Growth; Accounting and Tax; Supply Chain; and Business Tech, including specific topics on Cyber Security.
- The transfer pricing model, tax matters and matters relating to customs.
- Follow-up on previous discussions on privacy, including GDPR.
- Follow-up on H&M Group policies.
- Information provided by Deloitte on the audit plan, the scope of the audit and the results of the review.
- Review of the auditors' independence and impartiality. The Audit Committee agreed it was clear which assignments Deloitte had taken on in addition to auditing and found no reason to question the accounting firm's impartiality.

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

CEO

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

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

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

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

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

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

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

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

ORGANISATION AND MANAGEMENT

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

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

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

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

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

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

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

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

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

RISK ASSESSMENT AND MANAGEMENT

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

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

A description of H&M Group's operational and financial risks can be found on pages 71-78.

An updated climate risk analysis according to the guidelines issued by the Task Force on Climate-related Financial Disclosures (TCFD) was carried out during 2023, see page 75. The company's first TCFD analysis was conducted in 2019.

Due diligence & risk management

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

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

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

H&M Group's HRDD process is based on the Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles and relevant national legislation, where applicable. The company pays special attention to groups vulnerable to infringement of rights, such as migrant workers and children. H&M Group does not accept forced labour or child labour.

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

1. **Identification:** H&M Group identifies material risks as part of its annual materiality assessment and through continuous dialogue with international organisations such as the International Labour Organization, OECD, international trade unions, human rights organisations, and policymakers. More detail on this process can be found on hmgroup.com/sustainability.

2. **Prioritisation:** H&M Group prioritises risks based on likelihood and impact (including severity and reversibility) and calibrates risks across the company's business and supply chain to ensure it addresses risks connected to higher product, raw material, or service volumes. This review is conducted at both a global and local level. The global risk assessment is supported by external data on risk.

3. **Monitoring and reporting:** Identified risks are categorised and listed in the company's risk repository, which details the risks, where they occur, the severity and the mitigation plan. This forms the basis of internal risk reporting and the frequency of the follow-up and review to ensure risks are appropriately managed. The Corporate Governance function reports on all group risks, including the most material human rights and environmental risks, to the CEO and CFO on a quarterly basis. The company reports the status of risks and internal control to the Audit Committee.

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

Materiality assessment

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

Materiality matrix 2023

MATERIAL TOPICS (RISK + OPPORTUNITIES)

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

Material topics

WHERE IN THE VALUE CHAIN ARE THESE TOPICS MORE SIGNIFICANT?
NO COLOR = LOW IMPACT; BLUE = MEDIUM IMPACT;
BEIGE = HIGH IMPACT; ORANGE = CRITICAL IMPACT

AMBITION AREAS	OUR FOCUS AREAS	MATERIAL TOPICS (RISK + OPPORTUNITIES)	DESIGN AND PRODUCT DEVELOPMENT	RAW MATERIAL SOURCING	MATERIAL PRODUCTION AND PROCESSING	PRODUCT PROCESSING AND MANUFACTURING	TRANSPORT AND WAREHOUSE OPERATIONS	SALES	PRODUCT USE, REUSE AND RECYCLING	**HOW DO WE MANAGE THESE IMPACTS?** (SD - SUSTAINABILITY DISCLOSURE 2023)
CLIMATE AND CIRCULAR	CLIMATE AND NATURE	Climate	Beige	Orange	Orange	Beige	Beige	Blue	Blue	Climate strategy including approved SBTi targets, see SD p.16
		Water		Orange	Orange	Beige	Blue	Blue		Water strategy, see also SD p.24
		Chemicals (incl. haz. waste)	Blue	Beige	Beige	Beige				Chemicals strategy, see also SD p.30
		Biodiversity		Orange	Blue	Blue				Biodiversity strategy, see also SD p.27
		Animal welfare	Beige							Animal welfare policy, see also SD p.36
	RESOURCE USE	Material/ Resource use	Beige	Blue	Blue	Beige	Beige	Beige	Orange	Resource use and circular strategy, see SD p.32
		Waste, incl packaging	Beige	Blue	Blue	Beige	Beige	Beige	Orange	Waste, see SD p.47 Packaging, see SD p.51
		Deforestation		Beige						Strategy under development, see SD p.27
FAIR AND EQUAL	FAIR JOBS	Health, Safety and Wellbeing		Blue	Blue	Orange	Blue	Blue	Blue	Policies & procedures Open Operations, see SD p.56 Supply chain, see SD p.60 GBV and sexual harassment, see SD p.65
		Freedom of Association & Collective Bargaining		Beige	Beige	Orange	Blue		Orange	Policies & procedures Industrial Relations strategy in our production supply chain in Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Türkiye and Vietnam. See SD p.60
		Wages and compensation		Blue	Blue	Orange	Beige	Beige	Blue	Policies & procedures Wage strategy in our production supply chain in Bangladesh, Bulgaria, Cambodia, China, Ethiopia, India, Indonesia, Myanmar, Pakistan, Romania, Sri Lanka, Türkiye, Vietnam See also SD p.60
		Social security and protection		Beige	Blue	Blue	Blue			Policies & procedures Aspects of our Wage strategy in our production supply chain in Bangladesh See also SD p.60
		Working hours		Blue	Blue	Beige	Blue	Blue	Orange	Policies & procedures
		Forced labour		Beige	Blue	Blue	Blue		Blue	Policies & procedures Modern slavery statement See also SD p.54

WHERE IN THE VALUE CHAIN ARE THESE TOPICS MORE SIGNIFICANT?
NO COLOR = LOW IMPACT; BLUE = MEDIUM IMPACT;
BEIGE = HIGH IMPACT; ORANGE = CRITICAL IMPACT

AMBITION AREAS	OUR FOCUS AREAS	MATERIAL TOPICS (RISK + OPPORTUNITIES)	DESIGN AND PRODUCT DEVELOPMENT	RAW MATERIAL SOURCING	MATERIAL PRODUCTION AND PROCESSING	PRODUCT PROCESSING AND MANUFACTURING	TRANSPORT AND WAREHOUSE OPERATIONS	SALES	PRODUCT USE, REUSE AND RECYCLING	**HOW DO WE MANAGE THESE IMPACTS?** (SD - SUSTAINABILITY DISCLOSURE 2023)
FAIR AND EQUAL	FAIR JOBS	Child labour		Beige	Blue	Blue			Blue	Policies & procedures Our Wage strategy also supports this impact area in relation to working conditions of parents. See also our Modern Slavery statement, and SD p.54
	INCLUSION AND DIVERSITY	Discrimination and equal treatment	Beige	Blue	Blue	Orange	Blue	Beige	Blue	Policies & procedures I&D Strategy within our own operations:, SD p.56 Gender Equality Strategy in our production supply chain SD p.60
		Inclusion and diversity	Beige					Beige		Same as above
		Gender equality		Blue	Blue	Beige	Blue			Same as above
	COMMUNITY RIGHTS	Land rights & livelihoods		Blue					Blue	Policies & procedures Our circularity strategy to reduce resource use, see also SD p.32 Our Material strategy, including a target of 100% FSC certified wood See also SD p.36
		Access to water		Blue	Beige	Beige	Blue			See SD p.24
		Community Engagement					Beige			See SD p.72
STANDARDS, POLICIES AND OTHERS	CORPORATE GOVERNANCE	Public policy			Beige		Beige			Public affairs strategy, specific two sustainability strategies, such as climate. See SD p.76
		Tax payment					Beige			Tax policy
		Anti-corruption			Beige	Beige	Beige		Blue	Policies & procedures
		Data privacy and protection	Beige					Beige		Policies & procedures
		Supply assessments	Blue	Blue	Blue	Beige	Beige	Beige		Policies & procedures See also SD p.78
		Marketing and labelling					Beige		Blue	Policies & procedures

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

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

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

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

— Waste, including packaging, increased in materiality.

— Material / resource use increased slightly in materiality.

— Water increased in materiality.

Internal control

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

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

Control environment

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

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

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

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

— The division of accountability between the Board of Directors, the Audit Committee and the CEO, which is clearly described in the Board's formal rules of procedure

— Regular reports from the executive management team and the Audit Committee to the Board, according to established routines

— The company's organisational structure

— The company's values, guidelines, policies, and manuals

— Control activities, checks and balances, analysis and reporting

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

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

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

There are multiple policies, guidelines, and manuals in place across the group, including detailed instructions for store staff that control the daily work in the stores. In most cases these are drawn up by the group functions at head office in Stockholm and then communicated to the respective departments in regional and country offices. Each group function regularly reviews its guidelines and manuals to keep them up to date, adding new guidelines where necessary.

Control activities

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

Monitoring

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

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

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

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

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

As a complement to the internal control work performed by the different functions within the company, additional reviews of specific areas have been conducted by external audit firms. Overall, the results have been satisfactory and where findings have been identified corrective actions have been put in place. The Board of Directors and the Audit Committee continually evaluate information provided by the executive management team on company operations, including information on the efficiency of internal control procedures and activities. This work includes checking that the necessary steps are taken in response to any shortcomings detected and that suggestions made during assessments by the group function and internal store auditors, as well as by external auditors, are acted on. This monitoring work maintains awareness of the importance of effective internal control and supports continuous improvement within the group.

Information & communication

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

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

Financial communication is provided via:

— The Annual and Sustainability Report

— Interim reports, the full-year report and quarterly reports

— Press releases on events and circumstances that may impact the share price

— H&M Group's website hmgroup.com

Risks & uncertainties

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

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

Financial risks

Foreign currencies

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

Large and rapid exchange rate fluctuations, particularly in the US dollar as the most important sourcing currency, may also have a significant effect on purchasing costs — even if this may be regarded as relatively competition-neutral over time. To hedge flows of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuations, payments for the group's flows of goods — i.e. the group's purchases of goods and, in the majority of cases, also the corresponding foreign currency inflows from the sales companies — are hedged under forward contracts on an

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

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

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

Trade intervention

Purchasing costs may be affected by decisions at a national level on issues such as export/import subsidies, customs duties (see more below), textile quotas and embargoes. The effects primarily impact customers and companies in individual markets.

Global companies with operations in many countries are affected to a lesser extent, and among global corporations, trade interventions may be regarded as largely competition neutral. In the event of a major trade war between two countries, not just sourcing costs but generally also the entire flow of goods from production to the customer would be affected, which companies would need to mitigate.

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

Taxes

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

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

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

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

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

Operational risks

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

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

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

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

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

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

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

Reputational risk

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

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

Negative macroeconomic & geopolitical changes

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

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

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

Sustainability risks

For many years H&M Group has been taking a leading role in driving change towards a more sustainable fashion future and in setting ambitious sustainability targets and strategies. Through these strategies the company works to address a number of risks identified based on close consideration of stakeholder input. Failure to adequately address sustainability issues could expose the business to risks in a number of areas:

- **Climate:** H&M Group's products are produced based on assumptions concerning weather patterns and any change to expected patterns affects sales. This is particularly true in the transition period between seasons, such as from summer to autumn or autumn to winter. For example, a warmer autumn than usual may have a negative effect on sales of weather-related garments in particular, such as outerwear and chunky knitwear. The company's risk analysis has shown that climate change may impact the conditions for producing and distributing products in certain regions and countries. The growing effects of climate change mean that these variations will likely increase in the future. Read more about the company's climate change related risks in its TCFD disclosure on page 75.

- **Water and natural resource use:** Environmental risks to H&M Group's business, value chain, communities and the planet include depletion of natural resources, biodiversity loss, land use change and water impacts. Many environmental risks are closely connected to human rights risks — for example land rights and livelihoods, the right to access clean water and the impact of climate change on communities that already have inequitable access to resources or finance. The company's focus on reaching 100 percent recycled and sustainably sourced materials, use of innovative materials, further improved planning accuracy, and growth in new and circular business models will improve the resilience of H&M Group's business and supply chain by reducing dependence on limited natural resources.

- **Customer demand:** Growing consumer interest in sustainability is stimulating a change in customer preferences and consumption patterns. This could have a major effect on H&M Group's sales — both positive and negative — depending on how successfully the company evolves its offerings and business models. The company's focus is on further accelerating investment in products,

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

— **Human rights:** H&M Group's Salient Human Rights Issues show how the company identifies and assesses risks across its value chain and prioritises action. Current salient issues include access to water, land rights and livelihoods, labour rights, safe workplace, wages, working conditions in addition to environmental challenges. H&M Group's commitment to respect internationally recognised human rights is the foundation of everything the company does and contributes to more favourable social and environmental conditions for communities and people.

— **Anti-bribery and corruption:** Corruption risks exist in many of the markets in which the company and its suppliers operate. As with human rights and environmental risks the company maps risks related to corruption across its operations and supply chain through annual risk assessments and reviews. The company identifies the greatest risks based on location or type of operation and determines its response, with appropriate follow-up actions and timeframe for review. Tackling the risk of corruption benefits the company by strengthening its business ethics and corporate culture, and enhancing its reputation with stakeholders.

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

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

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

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

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

TCFD climate risk analysis

Governance
Climate risk has been identified as one of the company's most significant risks. All company risks are reviewed by the Board at least once per year. The Board monitors implementation of strategies within the sustainability area and initiates changes and updates where needed. These procedures and governance mechanisms enable the Board to closely monitor the company's sustainability and climate-related performance and to ensure sufficient management focus and resource allocation. Implementation of all company sustainability strategies, including the company's climate strategy, is the responsibility of the head of sustainability together with the executive management team. The head of sustainability provides biannual updates on the company's sustainability key performance indicators (KPIs) to the Board of Directors and quarterly KPI updates to the CEO and CFO. For more about H&M Group's risk management processes see page 66.

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

— The rapid transition scenario (RCP[1] 2.6, mostly short- and medium-term). In this scenario, the world manages to drastically reduce greenhouse gas (GHG) emissions through several far-reaching measures, such as legislation, global carbon taxes and major shifts in consumption patterns and lifestyles. This would limit the average temperature increase to 1.5°C.

— The accelerating temperature increase scenario (RCP 8.5, mostly long-term). In this scenario, the world fails to curb rising GHG emissions. In the long term (to 2100), this results in a global average temperature increase of at least 3-4°C. Legislation and carbon taxes are expected to play a less significant role in this scenario. Impacts from extreme weather events are assumed to grow in magnitude.

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

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

The rapid transition scenario
RCP 2.6, mostly short- and medium-term risks

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
Changes in customer attitudes and purchasing patterns HIGH	Growing awareness of climate change is expected to impact customer preferences, with an increased preference for products and services with low climate impact from trusted companies that are seen as leaders in sustainability. This could also include reputational risks related to brand perception.	— H&M Group's climate goals are to reduce its absolute GHG emissions by 56 percent by 2030 (baseline 2019) and 90 percent by 2040, when the goal also is to achieve net zero. These emissions reduction targets have been approved by the Science Based Targets initiative (SBTi). H&M Group also aims to become a more circular business which, for example, means sourcing raw materials that are recycled or sustainably sourced and scaling up customer-facing circular business models. — The company's strategies within the sustainability area will allow it to build trust in its brands and provide an offering that has a lower environmental impact than its competitors' offerings. — Transparency and clear customer communication about sustainability will help to build trust and increase customer loyalty.

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

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
Transition to lower-carbon footprint production and/or low- emission technologies HIGH	Fossil fuels remain a significant source of energy in many H&M Group production countries. Climate-related legislation is expected to increase significantly. In response, H&M Group would gradually strengthen requirements for suppliers, as part of the company's ambition to reduce climate impact. The group provides financial support that assists suppliers to phase out coal and other fossil fuels. The expected overall result is increased production costs. Investments would also be needed to develop sustainably sourced materials for use in our garments.	— Together with its suppliers, H&M Group continues to make significant efforts to phase out coal and other fossil fuels in its supply chain. In 2023, the total spend on recycled and sustainably sourced materials and decarbonisation (e.g. energy efficiency investments in our stores and supporting its suppliers to phase out coal) was approximately SEK 2.1 billion.
Introduction of global or regional carbon taxes MEDIUM	Taxes on GHG emissions or import duties on garments produced in one region (e.g. Asia) but exported to another (e.g. the European Union) may influence total production costs. This could be both a risk and an opportunity, depending on H&M Group's ability to phase out fossil fuels in our supply chain.	— H&M Group has developed internal tools to help it better understand the most cost-effective paths towards reducing its climate impact. — The company will collaborate with peers to amplify support for suppliers to phase out fossil fuels. — H&M Group has set targets to reduce GHG emissions throughout its value chain, reducing its vulnerability to possible carbon taxes. — H&M Group's sourcing strategy is flexible and the company is constantly evaluating the direct and indirect costs in each region to allocate its production in the most efficient way.
Increased energy and water cost MEDIUM	As the world is moving away from coal to lower carbon energy sources, both renewable and fossil based, the demand for these energy sources will increase. Due to the different grid developments and availability of renewable energy sources in regions in which H&M Group has production, there is a risk of regional or local gaps between demand for energy and supply that could lead to increased prices. Similarly, a supply and demand gap or increased taxation on water might also increase prices in the regions where the company's suppliers are located. Both increases may impact production and operating costs and thus the prices of its products.	— H&M Group has set targets and has programmes in place to increase energy efficiency throughout its value chain to reduce the impact of increasing energy prices. For critical regions and suppliers the company is also developing energy transition roadmaps. — H&M Group has a water strategy that supports supply chain business partners to adopt water efficient technologies. An innovative solution that is now under pilot is a supercritical CO_2 dyeing process that will remove water entirely. Read more in the company's Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting. — H&M Group is entering power purchase agreements (PPAs) and it is investing in new renewable energy (solar and wind) to increase supply.

The accelerating temperature increase scenario

RCP 8.5, mostly long-term risks

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
Raw material availability and price MEDIUM	H&M Group is heavily dependent on cotton as a raw material. Higher temperatures and water shortages will affect cotton production in many regions. In the long term, the company believes that this will affect the availability and price of cotton. Price increases for other raw materials are also expected.	— H&M Group has a strong focus on innovation related to new materials and recycling technologies, with a goal of using at least 30 percent recycled materials by 2025 and an ambition of reaching 50 percent by 2030. By increasing the share of recycled materials, the company's dependence on virgin raw materials is reduced. — H&M Group's global sourcing team ensures the company has the flexibility in the supply chain it needs to handle short-term price fluctuations.
Water scarcity or extreme weather events that influence production and logistics MEDIUM	Climate change will increasingly impact access to fresh water in certain regions, with consequences for where and how garments can be produced. Extreme weather events may also cause disruptions to production and distribution in some countries.	— H&M Group has a water strategy that supports supply chain business partners to adopt water efficient technologies. An innovative solution that is now under pilot is a supercritical CO_2 dyeing process that will remove water entirely. Read more in the company's Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting. — Contingency plans have been developed for suppliers located in high-risk regions. These plans prepare the company to temporarily or permanently move production to alternative suppliers located in low-risk regions, if needed.

Overview of business opportunities

OPPORTUNITY	DESCRIPTION	MEASURES TO REALISE THE OPPORTUNITY
Building a more sustainable business and attracting more customers	Increasing awareness of the climate crisis may impact customer preferences for products or services with a low climate impact from companies that customers trust and that share their values. There is an opportunity for H&M Group to attract more customers by providing a more sustainable and transparent offering.	— Delivering on H&M Group's strategy and meeting climate-related customer expectations could lead to a bigger market share. — Transparency and clear communication about sustainability could increase customer loyalty.
Developing customer-facing circular business models	Increasing awareness of the climate crisis may change customer behaviour as people are incentivised to switch to new ways of enjoying fashion without the climate impact associated with garment production. This shift will reduce H&M Group's climate impact and offer the company new revenue streams that complement the traditional business model.	— H&M Group is continually testing and scaling new business models and new revenue streams, such as resell and garment care and repair services.
Decarbonisation of garment production to reduce the impact of carbon taxes and higher energy prices	The company's targets to reduce GHG emissions throughout the value chain could create a competitive advantage versus our competitors, mainly because of reduced impact from future climate legislation and taxes on emissions.	— Together with its suppliers, H&M Group continues to make significant efforts to phase out coal and other fossil fuels in its supply chain. — H&M Group's climate strategy, long-term as well as short-term targets, and a willingness to invest in carbon reduction initiatives will enable the decarbonisation of its supply chain. — The company is engaging with policymakers in its production markets, aiming to create the right conditions for the transformation (e.g. by removing subsidies for fossil fuels).
Creation of new business-to-business revenue streams	Increasing awareness of the climate crisis may put pressure on H&M Group's competitors' sustainability strategies. Combined with the decarbonisation of H&M Group's production, this will increase opportunities to expand the company's current business-to-business service offering. By further investing in reverse supply chain initiatives, H&M Group can introduce potential new revenue streams that complement the traditional business model.	— H&M Group continually develops new business models and revenue streams, such as collecting, sorting and recycling garments. This includes constantly exploring and investing in external innovations and ideas.

OPPORTUNITY	DESCRIPTION	MEASURES TO REALISE THE OPPORTUNITY
Reducing dependence on virgin materials and increasing the climate resilience of natural fibre production	Scaling recycled materials and transitioning to regenerative agriculture for key virgin materials like cotton and wool can reduce the company's material vulnerability and improve the climate resilience of both farmers and its business.	— H&M Group is increasing the share of recycled materials and working to bridge technology, infrastructure, feedstock and finance gaps, to make commercial scaling of recycled fibres more feasible. — H&M Group is investing in a range of three-to-five-year collaborative projects with expert partners in South Africa, where most of its wool is produced, and in India, where most of its cotton is grown — to help farmers transition to regenerative practices.

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

— **Business model:** Reducing the company's climate impact in line with the science and reaching its approved science-based targets requires adaptation and development of the company's current business model and consideration related to where it sources raw materials and produce its products. It also requires scaling of circular business models, such as resell, remake, care and repair solutions enabling customers to extend the use of products (read more on pages 22-23), helping to decouple the company's financial growth from resource use and climate impact.

— **Customers/sales:** Current and future expectations from customers impact both how H&M Group needs to produce its products (with lower climate impact) and how it should communicate the sustainability performance of the products to customers.

— **Sourcing:** The choice of raw materials for its garments is influenced by the materials' climate impact. Prices of raw materials and energy are expected to rise as a result of climate change. Climate legislation and introduction of climate-related taxes or duties are expected. If not mitigated, this may impact the company's profitability.

— **Innovation**: Climate change increases the need for H&M Group to focus on innovation. This involves the exploration of alternative raw materials that are less susceptible to climate change. It includes regenerative agriculture and innovative processes that improve soil quality and biodiversity associated with the company's current raw materials basket. Furthermore, the company focuses on innovative solutions aimed at increasing use of recycled materials.

— **Financing**: Reducing climate impact requires financing. In autumn 2023, H&M Group issued an eight-year EUR 500 million green bond. The net proceeds from the bond will be allocated to eligible projects in five categories: Circular Economy, Green Buildings, Renewable Energy, Energy Efficiency and Sustainable Water Management & Wastewater Management. The first four categories have a direct connection to our climate risk mitigation. H&M Group also has a EUR 500 million sustainability-linked bond outstanding since 2021 focused on increasing recycled material in commercial goods and GHG emission reduction.

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

— **The rapid transition scenario (RCP 2.6):** H&M Group aims to halve its supply chain GHG emissions by 2030 (in absolute terms, from a 2019 baseline, independent of business growth). This means it will be well prepared for developments such as strengthened climate-related legislation and/or the introduction of carbon taxes. The most significant risk to the company, as well as business opportunity, is lost or increased customer trust that impacts their willingness to enjoy products from H&M Group's brands.

— **The accelerating temperature increase scenario (RCP 8.5):** The most significant consequence for H&M Group's business in this scenario is the possible impact on raw material availability and price, especially for cotton. The company is limiting the possible business impact of this by reducing its dependency on cotton and other virgin raw materials. In this scenario, the company's work to create business contingency plans for all parts of its supply chain will help it prevent negative business impacts resulting from extreme weather events. As H&M Group has a limited amount of company-owned assets (production is at external suppliers and warehouses and stores are normally leased), the expected financial impact on company-owned assets related to this scenario is minimal.

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

Internal audit

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

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

Stockholm, March 2024 The Board of Directors

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

Sustainability impact areas and performance

This Sustainability Impact and Performance Report contains information on H&M Group's sustainability performance, position and results, and the sustainability impact by and on the company's operations. It includes disclosures on issues relevant to the company's value chain, including climate and the environment, working conditions, inclusion and diversity, respect for human rights and anti-corruption measures.

H&M Group is compiling its sustainability data in line with current legislation. H&M Group's auditors have reviewed or partially reviewed the sustainability data through limited assurance procedures. Data marked * have been reviewed. The scope of the review is confirmed in footnotes in relevant data tables. More detail on individual topics can be found in our latest Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting, or in other locations linked from relevant places in the text below. In line with CSRD, H&M Group is preparing to have all data points reviewed through limited assurance procedures for the report 2025 (to be published in the spring of 2026).

OUR STRATEGY

We are committed to growing our business in a sustainable way — by decoupling our growth from the use of finite natural resources, so that business and communities can thrive within the planetary boundaries. Our ambition is to double our revenue (from a 2021 baseline) while halving our greenhouse gas emissions[1] (from a 2019 baseline) by 2030. This goal is supported by our existing targets, including our science-based emissions reduction targets, and by short- and medium-term milestones that guide our actions.

Our key sustainability impact areas are:

- Climate
- Water & oceans
- Biodiversity & land
- Resource use
- Social impact

These areas are deeply interconnected, requiring an integrated strategy to address them — read more in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

Through our strategy, we support progress towards the UN Sustainable Development Goals and Agenda 2030, alongside other global commitments such as the Paris Agreement on Climate Change and the UN Declaration of Human Rights. Learn more about our policies, strategies and performance in our Sustainability Disclosure, Global Reporting Initiative and UN Guiding Principles indexes, Modern Slavery Statement, and other supporting web content at hmgroup.com/sustainability.

Investments in sustainability provide H&M Group with long-term business opportunities and help us to build resilience as a business and throughout our value chain and ventures. See page 16 for details about our business model and page 30 for the business opportunities connected to our investments in sustainability.

Our strategy is underpinned by our commitment to respect human rights, and inclusion and diversity. We engage with our stakeholders — who also represent or are themselves rights holders or affected stakeholders — to ensure material issues and human rights risks are identified, prioritised and incorporated into the company's strategies and procedures.

- For a more detailed description of our materiality assessment process, see page 66.
- Further information on our due diligence and risk management processes can be found on pages 66-74.
- Details of our operational and financial risks, including sustainability risks, are provided on pages 71-74.
- Detailed analysis of climate-related risks is included in our reporting against Task Force on Climate-related Financial Disclosures recommendations on pages 75-78.

Transparency is central to our strategy. H&M Group has a long tradition of transparent reporting, supply chain disclosure, and helping our customers to make more informed choices. We welcome the shift towards a clearer legislative landscape that can provide us with harmonised methods to communicate our sustainability impacts and performance. Read about H&M Group's commitment to transparency on page 53 and read more about our progress in the areas of transparency and traceability in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

OUR VALUE CHAIN

Our value chain includes the full range of activities and people required to plan, design, source, process and manufacture, transport, sell, use, reuse and recycle our products. We continually evolve our value chain to become more customer centric and aligned with our sustainability vision — read more on page 35.

Supply chain management

Read about how we build a demand-driven supply chain, collaborate with suppliers — including our production supply chain and other supply chains — and our supply chain performance on page 34 and in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

1) Includes scope 1, 2 and 3 GHG emissions, excluding indirect emissions from use of sold products.

SUPPLIER COVERAGE OF SIPP, FEM, FSLM & VERIFICATION	2023	2022	2021
SIPP (Sustainable Impact Partnership Programme)			
% Tier 1 supplier factories implementing SIPP	100%	100%	100%
% Tier 2 dyeing and printing factories implementing SIPP	100%	100%	100%
% Non-commercial goods suppliers and % of their factories implementing SIPP	100%	100%	83% (79% factories)
FEM (Higg Facility Environmental Module)			
Tier 1 supplier factories participating in FEM (number and %)	744 (70%)	858 (67%)	894
Tier 2 supplier factories participating in FEM (number and %)	530 (56%)	509 (53%)	337
Tier 1 third-party verifications for FEM (and % of those participating)	728 (98%)	849 (99%)	878 (98%)
Tier 2 third-party verifications for FEM (and % of those participating)	519 (98%)	505 (99%)	329 (98%)
FSLM (Higg Facility Social and Labor Module)			
Tier 1 supplier factories participating in FSLM (number and %)	876 (68%)	843 (66%)	883
Tier 2 supplier factories participating in FSLM (number and %)	422 (61%)	501 (52%)	332
Tier 1 third-party verifications for FSLM (and % of those participating)	790 (90%)	843 (100%)	850 (96%)
Tier 2 third-party verifications for FSLM (and % of those participating)	415 (94%)	501 (100%)	311 (94%)

FEM[1] SCORES — PARTICIPATING TIER 1 & TIER 2 SUPPLIER FACTORIES	2023	2022	2021	2020
Overall score (out of 100)[2]	66	64	57	52
Based on the combined average for...				
Environmental Management Systems	79	78	70	59
Energy use and greenhouse gas emissions	91	91	87	82
Water use	81	82	76	73
Wastewater	74	74	67	59
Air emissions	46	39	29	29
Waste management	46	44[3]	37	34
Chemical management	42	39	32	29

1) Higg Facility Environmental Module.
2) Average of all active, approved tier 1 and tier 2 factories that have a verified score. Scores are based on the previous year's data, e.g. the 2023 scores are based on 2022 data.
3) Figure corrected from the 2022 Annual and Sustainability Report, where this figure was reported as 43.

ENVIRONMENTAL IMPACT

Strategy & policies

We identify and capture opportunities and manage risks through our Circularity, Climate and Nature strategy, which focuses on:

- **Climate, biodiversity & land, and water & oceans.** We are working to achieve our science-based target of net-zero greenhouse gas (GHG) emissions across our value chain by 2040, reach a 30 percent reduction in absolute total freshwater use by 2030, ensure wastewater quality, and contribute to the global goals to have a positive impact on nature in line with the ARRRT (Avoid, Reduce, Restore, Regenerate, Transform) framework.
- **Resource use**. We need to optimise our business while at the same time moving from a linear to a circular ecosystem that circulates products and materials at their highest value and generates diversified revenue streams. Accomplishing more with less is key for building a resilient business and decoupling of our business growth from resource use. We seek to use circular design and use recycled, regenerative or sustainably sourced materials, alongside investing to scale the repair, reuse, remake and recycling of products,

packaging and non-commercial goods. Read more about how we define these terms in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

These two focus areas are closely connected. Our work to improve material sourcing and shift to more circular business models supports our climate, water & oceans, and biodiversity & land goals.

Net zero, as defined by the Science Based Targets initiative (SBTi), focuses on reducing emissions as far as possible before removing emissions that cannot be avoided. By aiming for net zero we focus on reducing our absolute climate impact, supported by our public affairs work and collaboration to effect wider climate progress.

Learn more in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting. For more details on related policies and standards, visit hmgroup.com.

Performance

The Environmental impact KPIs table on page 83 features indicators selected to offer an overview of our performance. Here, we share additional details:

— We continued to work towards net-zero emissions across our value chain:

- Our absolute scope 1 and 2 GHG emissions decreased by 24 percent compared to our 2019 baseline. Compared to last year, this is a decrease of 9,794 tonnes CO_2e — primarily due to a relative increase in our procurement of renewable energy certificates following closure of our operations in Russia.

- Our absolute scope 3 GHG emissions (excluding use-phase emissions) decreased by 22 percent compared to our 2019 baseline. Compared to last year, this is a decrease of 625 kilotonnes. This positive trend is primarily attributed to our ongoing efforts, including investments in recycled and sustainably sourced materials for garments and packaging, energy efficiency improvements and a shift to cleaner energy sources in our supply chain as well as decreased stock-in-trade. While emissions are still linked to resource use, the development of these emission per revenue is also positive, with a 23 percent decrease in tonnes of CO_2e/SEK million compared to 2019, and 13 percent decrease compared to 2022. Read more about changes to our scope 1, 2 and 3 emissions reporting at hmgroup.com/sustainability/sustainability-reporting/how-we-report/.

- We achieved a 29 percent reduction in electricity intensity in our stores (per square metre and opening hour) from our 2016 baseline, exceeding our goal of 25 percent by 2030. We are pleased to have met this ambitious goal seven years early, and we are working to establish new targets, prioritising energy efficiency as a core element of our operational strategy.

- 94 percent of electricity purchased for our operations was renewable (92 percent in 2022), including 10 percent from power purchase agreements with new renewable electricity generation, which supply us with long-term renewable energy at a fixed price and increase the amount of renewable electricity on electrical grids.

- The number of supplier factories reporting the use of on-site coal boilers saw a notable decline to 67 in 2023 (compared to 117 in 2022, and 105[1] in 2021). This decrease is a result of our continued efforts in phasing out on-site coal, changes in our supplier base, local policy, and H&M Group pushing for increased electrification of steam production.

- Alongside the ongoing energy audits and technical support given to already enrolled supplier units, 57 new facilities were included in the energy efficiency programme during 2023. Within this programme, our energy efficiency experts have identified possible improvements that could lead to around 200,000 tonnes CO_2e of annual reductions.

- Together with Southeast Asia's largest bank, DBS, we initiated our Collaborative Financing Tool — a first-of-its-kind green loan programme that facilitates supply chain decarbonisation in the fashion sector.

- Our total spend on recycled and sustainably sourced materials and decarbonisation (e.g. energy efficiency investments in our stores and supporting our suppliers to phase out coal), was approximately SEK 2.1 billion.[2]

- We signed a letter of intent for a co-investment in the first early-development offshore wind project in Bangladesh through the Global Fashion Agenda. The project, developed by Copenhagen Infrastructure Partners (CIP), is expected to contribute to substantial job creation, stabilise energy supply, and reduce emissions by approximately 725,000 tonnes annually.

— We developed our climate transition plan, detailing our ambitions to transform our value chain to reach our climate targets, and published it together with our Sustainability Disclosure.

1) The number reported has increased compared to what was stated in the 2022 report due to increased traceability — capturing data for facilities not previously included. The current dataset covers all tier 1 and tier 2 suppliers, meaning we do not expect to see additional variations in this going forward.
2) For more information see note 1 to the financial statements, Accounting principles.

ENVIRONMENTAL IMPACT KPIS

KPI		2023	2022	2021	2020	TARGET OR GOAL
Climate: % absolute reduction (scope 1 and 2) in GHG emissions compared with 2019 baseline* [1, 2, 3, 4]		-24	-10	-22	+12	-56% by 2030
Climate: % absolute reduction (scope 3) in GHG emissions compared with 2019 baseline* [1, 2, 3, 4]		-22	-15	-10	-12	-56% by 2030
Climate: % renewable electricity in our own operations*		94	92	95	90	100% by 2030
Water: % absolute reduction of freshwater consumption against a 2022 baseline[4]		-14	Baseline year	-	-	-30% by 2030
Water: % facilities with direct discharge that meet prioritised ZDHC Conventional Parameters — Foundational Level		93	Baseline year: 74	-	-	100% by 2025
Chemicals: % Manufacturing Restricted Substances List compliance for chemical inputs[5]		97	97	95	88	100%
Commercial goods: % of recycled or sustainably sourced materials* [6]	Total	85	84	80	65	100% by 2030
	Sustainably sourced	60	61	62	59	Monitor
	Recycled	25	23	18	6	50% by 2030
Packaging: % of recycled or sustainably sourced materials used[7]		79	71	-	-	100% by 2030
Packaging: % change in overall plastic packaging volume compared to 2018 baseline[7]		-55	-40	-	-	25% by 2025

* Partially reviewed by the company's auditors through a limited assurance process. The limited assurance process included: emissions from our own operations (scope 1 and 2) and emissions from transportation, raw materials, garment manufacturing and fabric production (scope 3); energy use and energy efficiency in stores; commercial goods shell fabric materials including all cotton and synthetics data, our top three recycled materials (cotton, polyester, polyamide), Responsible Wool Standard (RWS) compliant wool, Good Cashmere Standard (GCS) compliant cashmere, and Responsible Mohair Standard (RMS) compliant mohair.
1) In 2023, we updated our emissions calculations, including historic data — read more about our data and calculation methods in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.
2) Our GHG emissions accounting and reporting are aligned with the GHG Protocol. Scope 2 emissions under the market-based approach are equal to 38,451 tonnes CO_2e. Under the location-based approach (using grid average emission factors), scope 2 emissions were 377,307 tonnes. GHG emissions include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).
3) Scope 1 emissions are all direct emissions from our own operations; scope 2 represents indirect GHG emissions from consumption of purchased electricity, heat or steam used in our own operations; scope 3 includes other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by us, electricity-related activities not covered in scope 2, outsourced activities, and waste disposal. Scope 1 and 2 limitations and comments: only stores open for the full quarter are included; electricity consumption for HVAC operated by landlord not included; electricity consumption includes both actual data and estimates, where estimates are made if actual data are not received within the reporting deadline. Read more about Scope 3 limitations and comments at https://hmgroup.com/sustainability/sustainability-reporting/how-we-report/.
4) New KPI added in 2022.
5) Compliance tracked using the third-party tools BVE3, CleanChain and Bhive.
6) This includes commercial goods shell fabric materials, hence does not include materials used as filling, lining or trims on garments. Not all sustainably sourced materials can be naturally grown or cultivated, i.e. minerals or stones. In these instances, we set up material-specific requirements to secure sustainable sourcing. Read about how we define "sustainably sourced" for different raw materials at https://hmgroup.com/sustainability/circularity-and-climate/materials/.
7) Historic comparable packaging data is available from 2022, due to a change in our data scope— previously some packaging within our value chain was unreported. We have updated 2022 figures accordingly.

— We are one of 17 companies piloting the Science Based Targets Network (SBTN) method including the target validation process for land and freshwater.

— We were one of the first signatories to the Deforestation-Free Call to Action for Leather.

— We are investing in a range of three-to-five-year collaborative projects with expert partners in South Africa, where most of our wool is produced, and in India, where most of our cotton is grown — to help farmers transition to regenerative practices.

— In absolute terms, we have reduced our freshwater consumption by 14 percent compared to 2022, against our goal of a 10 percent reduction by 2025. Freshwater share in H&M Group's supply chain reduced to 84 percent compared to 87 percent in 2022.

— 93 percent of supplier facilities have direct discharge that meets prioritised Zero Discharge of Hazardous Chemicals (ZDHC) parameters — Foundational Level.

— Our water efficiency benchmark is now integrated into our supplier performance system. We are looking to make this

open source to incentivise change in our industry, through collaboration with other brands or via the ZDHC competence centre.

— 90 percent of chemicals used were assured via the ZDHC Gateway (88 percent in 2022).

— We have strengthened our overarching recycled material ambition — by 2030, we aim to have 50 percent of our materials coming from recycled sources, with the remainder being sustainably sourced. We achieved 85 percent recycled or sustainably sourced materials in our commercial goods in 2023 (84 percent in 2022), including 25 percent recycled materials (23 percent in 2022). Progress was largely due to scaling use of recycled polyester and Responsible Wool Standard compliant wool.

— We achieved an absolute plastic packaging reduction of 55 percent compared to our baseline year 2018. 69 percent of our remaining plastic is from recycled sources and 79 percent of our packaging is now made from recycled or sustainably sourced materials.

— We are moving into the next chapter of our work towards circular design, fuelled by welcome developments in the legislative landscape. We are currently taking time to consider our latest learnings and upcoming legislations to re-evaluate our 2025 ambition to design all products for circularity to extend our timeline and take a sequenced approach, starting with preparing for legislation as a first step, while remaining committed to a long term vision to create products fit for a circular economy "where products are made to be used more, made to be made again, and made from safe and recycled or renewable inputs", as defined by the Ellen MacArthur Foundation (EMF) in its vision of a circular economy for fashion.

— In 2023, more than 10.8 million second-hand items were traded on the Sellpy site across 24 markets.

— We changed our global sorting partner to Remondis so that we can invest in progress within the area of collecting and sorting unwanted garments.

For details on these KPIs as well as performance against other areas of the company's environmental strategy, see our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

SOCIAL IMPACT

Strategy & policies

We have a responsibility to respect the rights of everyone involved in and affected by our value chain, driven by our commitment to be a fair and equal company. We work to accelerate positive impact for people affected by our business and value chain with a focus on labour rights, equal treatment and respect to human rights. Inclusion and diversity are integral to our operations and underpin human rights across our value chain.

As part of our due diligence process (see page 66), we regularly review who the rights holders are across our value chain and how they could be impacted by our business, updating our salient issues accordingly. Our supply chain management programme enables us to assess, mitigate and remedy human rights issues at the supplier level. We focus our strategies on tackling the issues with greatest risk of negative impacts on people:

— **Our employees and our suppliers' workers.** We focus on supporting the people working in our own operations and in our supply chains — primarily in our production supply chain — so they can experience decent, meaningful jobs with fair compensation and benefits in safe, secure workplaces free from discrimination, where everyone has the right to freedom of association. Our work is aligned with the International Labour Organization (ILO)'s Fundamental Principles and Rights at Work, and informed by its definition of decent work, alongside other external guidance.

— **Communities and customers.** We engage with our customers and in the communities outside our value chain where we and our suppliers operate. We support initiatives that focus on climate, nature, inclusion and diversity, with a focus on marginalised, underprivileged and vulnerable people.

— **Working towards a circular, net-zero fashion industry**. The state of the natural environment fundamentally impacts people's wellbeing and equitable access to essential resources. By exploring the social implications and opportunities of a future fashion sector, we can enable the transition to a circular, net-zero industry, alongside supporting communities, supply chains and our business to be more resilient against the effects of climate change.

We report in line with regulatory frameworks such as the UK, Australia and Canada Modern Slavery Acts and the Norwegian Transparency Act; learn more about the company's statement at hmgroup.com/sustainability. Find more details on our Social Impact strategy in our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting. For details on related policies and standards, visit hmgroup.com.

Performance

The social impact KPI table on page 85 features indicators selected to offer an overview of our performance. Here, we share additional details:

— We focus on making the employee experience consistent across roles and geographies, while adapting to new technologies, anticipating shifting demands for skills, simplifying our organisational structure, and establishing more efficient ways of working across brands and functions. Our commitment to inclusion and diversity continues to be a high priority and is integrated into all our strategies and plans.

— Our overall People Engagement Pulses (PEP) employee engagement score remains stable. In 2023 it was 75 out of 100, compared to 76 in 2022.

— We initiated an analysis of our salary levels, with a particular focus on employees in entry- level positions. We aim to identify any groups of employees with salaries that are not aligned with market practices. The findings of the analysis will guide our plans and actions.

— We took the decision to move towards offering all employees worldwide minimum 15 days of vacation and 14 weeks of paid parental leave for primary and secondary

SOCIAL IMPACT KPIS

KPI	2023	2022	2021	2020	GOAL
Own operations: % of employees agreeing with the statement "I am treated with respect and dignity"[1]	82	84	83	80	Annual increase
Own operations: % of female employees, in management positions and on the board of directors[2]	Employees: 74 Management: 64 Board: 55	Employees: 75 Management: 75 Board: 55	Employees: 74 Management: 71 Board: 55	Employees: 74 Management: 71 Board: 67	Monitor
Supply chain: % of tier 1 supplier factories with trade union representation[3,4]	37	42	37	32	Monitor
Supply chain: % of tier 1 supplier factories with collective bargaining agreements in place[3,4]	29	34	27	18	Monitor
Supply chain: % of tier 1 and 2 production supply chain factories that have grievance mechanisms in place that were created through social dialogue between both male and female workers, worker representatives and/or trade union representatives[4,5]	98	95	-	-	Monitor
Supply chain: % of tier 1 supplier factories with a Health and Safety Committee in place[4,5]	97	98	-	-	Monitor
Supply chain: % workers, supervisors, and worker representatives in our tier 1 production supply chain factories that are female	Workers: 63 Supervisors: 27 Representatives: 65	Workers: 62 Supervisors: 27 Representatives: 63	Workers: 63 Supervisors: 28 Representatives: 62	Workers: 63 Supervisors: 24 Representatives: 59	See footnote 6
Community investment initiatives: total number of beneficiaries and total value of contributions[7]	Beneficiaries: 686,119 Contributions: SEK 169.6 million	Beneficiaries: 745,517 Contributions: SEK 114.2 million	Beneficiaries: 368,000 Contributions: SEK 180.4 million	-	Monitor

1) Does not include colleagues in the German sales organisation.
2) At H&M Group we recognise that gender is not binary and that gender identities exist between and outside of male and female. We are investigating how we can adapt our systems to be more inclusive of all genders, while also complying with local laws and regulations. Meanwhile we will continue to report on the data we have available today. Includes directors elected by AGM as well as employee representatives. Does not include deputies of employee representatives.
3) Applicable legal standards include: the ILO core conventions; C87 Freedom of Association and Protection of the Right to Organize Convention, 1948; C98 Right to Organize and Collective Bargaining Convention, 1949. Where these standards have not yet been ratified, following Social & Labor Convergence Program verification guidelines, we referred to the national applicable legislation in force.
4) Scope: factories participating in HIGG FSLM – read more on page 81.
5) New KPI added in 2022.
6) Increasing the share of female supervisors and worker representatives is an ambition in the group's Women's Empowerment Strategy for the production supply chain. The baseline was established in 2020 and the aim is for yearly increases.
7) Includes in-kind giving SEK 103.0 million, cash contributions SEK 59.4 million, management overheads SEK 6.7 million, employee volunteering SEK 0.5 million.

care givers. All our markets with lower country regulations that do not meet these Minimum Employment Standards are making plans to be compliant before the end of 2026.

— At the end of 2023, our total workforce was 74:26 female:male and our leadership[1] was 64:36 female:male.[2] Our workforce spans across several generations: Generation Z (1997-2015) accounts for 43.5 percent, Millennials (1981-1996) 41.4 percent, Generation X (1965-1980) 13.4 percent, and Baby Boomers (1946-1964) 1.6 percent. Our employees represent 177 nationalities, with people in leadership positions representing 92 nationalities.[3]

— We updated our due diligence process for construction and facility management suppliers and extended our Sustainability Commitment to these partners that are peripheral to our production supply chain.

— 37 percent of our tier 1 supplier factories have trade union representation (42 percent in 2022), and 29 percent have collective bargaining agreements in place (34 percent in 2022).

— We made more than 99 percent of our payments to suppliers on time and 90 percent of tier 1 production suppliers surveyed said they regard H&M Group as a fair business partner.

— Workers are aware of the processes in place for grievance handling in 99.9 percent of in-scope tier 1 supplier factories, and 98 percent of factories have grievance mechanisms created through social dialogue between workers, worker representatives and/or trade union representatives.[4]

— We continue to train our colleagues and IndustriALL (trade union) affiliates on gender-based violence and sexual harassment (GBVH). Together with Jane Pillinger (Ph.D), a global expert on gender equality and gender-based violence at work, we have created a guideline for our tier 1 suppliers that details best practices to eradicate GBVH and embeds them in our requirements and recommendations for suppliers.

— We are evaluating the effect of our wage management systems programme to improve the programme and understand where it needs to be adjusted. To increase our impact, we are currently working on a pilot together in collaboration with two peer companies, with the aim to scale the method and enable other brands to implement our wage management systems programme in their supply chain.

— Professor Raymond Robertson led a gender pay gap study using data from 1,227 of our suppliers covering all our production countries. The research found that wage gaps vary greatly across countries and factories, are highest in Bangladesh and India, and are generally more significant as workers are promoted into higher positions. Initial findings also show that our wage management systems contributed to decreasing gender pay disparities for earners in factories. We are engaging internal and external stakeholders in defining goals and next steps for the next phase of the project.

— We contributed SEK 169.6 million[5] to community investment initiatives, reaching 686,119 beneficiaries.

— In response to the conflict in Ukraine, H&M Group continued to support through in-kind donations and money raised through our customers. Our customers donated SEK 13 million in stores and online, in collaboration with our payment provider ADYEN. To accelerate our support, this year we partnered with UNHCR and Save the Children to support rebuilding programmes for Ukrainian communities.

For more details about these KPIs as well as performance against other areas of the company's social strategy, see our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

ANTI-CORRUPTION & ANTI-BRIBERY

Strategy & policies

Our Ethics & Compliance and Anti-Corruption programme is our main tool for mitigating risks. The programme includes:

— **Code of Ethics.** Our Code of Ethics details the company's expectations of employees and business partners when conducting business for and on behalf of the group. The Code of Ethics includes details of our zero-tolerance policy on bribery and corruption, which applies to all business dealings in all countries in which the company and its partners operate. It is mandatory that all our business partners, and all employees in contact with them, comply with the Code of Ethics.

— **Training and awareness.** We provide training to employees and business partners on our Code of Ethics. Employees can access the company's Code of Ethics training, Speak Up channel and policies through our Ethics Portal.

1) Defined as an employee having at least one direct report.
2) At H&M Group we recognize that gender is not binary and that gender identities exist between and outside of male and female. We are investigating how we can adapt our systems to be more inclusive of all genders, while also complying with local laws and regulations. Meanwhile we will continue to report on the data we have available today.
3) Does not include employees in Germany.
4) Figures are based on FSLM data provided by factory management and are not verified by worker surveys.

5) Includes in-kind giving SEK 103.0 million, cash contributions SEK 59.4 million, management overheads SEK 6.7 million, employee volunteering SEK 0.5 million.

KEY ANTI-CORRUPTION DATA

INDICATOR	2023	2022	2021	2020	GOAL
Total reported incidents of potential non-compliance with the Code of Ethics (including reported corruption cases) – employees and business partners*[1]	34 cases involving employees and/or business partners, with 9 employee terminations, 8 employee warnings, 0 business partner relationships terminated, and 0 business partner warnings; 8 cases remain open into 2024	29 cases involving employees and/or business partners, with 2 employee terminations, 7 employee warnings and 1 business partner warning; 6 cases remain open into 2023	24, with 5 terminations and 3 written warnings 5 cases remain open into 2022	16, with terminations or written warnings in 16 cases	Monitor
Cases by department*	Sales and Retail: 12 Central Offices: 11 Production: 10 Logistics: 1 Online: 0	Sales and Retail: 12 Production: 8 Central Offices: 8 Logistics: 1 Online: 0	-	-	Monitor
Substantiated cases*	16	10	-	-	Monitor
Code of Ethics e-learning completion rate — employees (%)	75	67	N/A[2]	60	90% annually

* Reviewed by the company's auditors through a limited assurance process.
1) Cases can involve multiple employees and business partners. Our reporting method therefore focuses on the total number of cases rather than specifying how many individuals or business partners were involved.
2) Due to a change in system in 2021, an accurate figure for this year is not available.

— **Reporting concerns.** We encourage employees, business partners and any third parties to report concerns or potential violations of H&M Group's policies and/or relevant law through the company´s Speak Up Channel (www.speakup.hmgroup.com).[1] We constantly raise awareness and encourage our employees and business partners to use the channel. Awareness programmes and workshops are held throughout the year. More materials for employees are available on the H&M Group Ethics Portal.

— **Due diligence.** We undertake a corruption risk assessment as part of the due diligence process for all new business partners, with assessment of risk level by country, industry and position/function. We set short- and long-term goals to help mitigate any identified risks. H&M Group continues to explore use of third-party risk management tools that could automate our due diligence process for business partners and other third parties.

— **Follow-up procedures**. We assess and investigate all reported Code of Ethics cases internally, tracking the number of violations annually and reporting these annually to the CEO, CFO, Board of Directors and via our Annual and Sustainability Report. These investigations may lead to terminations of business relationships or employment. We conduct internal audits to ensure compliance. Employees that have contact with business partners are required to sign Code of Ethics policy and complete mandatory yearly Code of Ethics e-learning, and we track the status of completions.

For more details on our policies visit hmgroup.com.

1) Excludes Germany.

Performance

The key data table above features indicators selected to offer an overview of our performance. Here, we share additional details:

— Most investigated cases concerned breaches of H&M Group Code of Ethics, especially cases of employees having a side business or undeclared close personal relationships with suppliers — which is a potential conflict of interest — and violations of the "no gifts" policy.

— We conducted a Code of Ethics workshop for different business functions, focusing largely on conflicts of interest, as well as our Ethics Portal, Code of Ethics Policy, and Speak Up Channel.

— We continued the process for digital attestation of the Code of Ethics Policy Commitment Form and Code of Ethics e-learning completion for store managers and office employees.

— H&M Group provides a Speak Up Channel to enable the reporting of violations in a confidential way. This is available to employees, business partners and other third parties.

— Through our new quarterly ethics and compliance series, we raised employee awareness of key issues and policies through presentations, digital meetings, posters, internal articles and communication channels. Topics this year included the launch of our mandatory yearly Code of Ethics e-learning, conflict of interest and disclosures, our Speak Up Channel and our newly created "Raise a concern" page on hm.com, and our "no gifts" policy.

For all detailed sustainability content, see our Sustainability Disclosure at hmgroup.com/sustainability/sustainability-reporting.

REPORTING IN LINE WITH ARTICLE 8 OF THE EU TAXONOMY REGULATION

During 2023, H&M Group performed an inventory of its activities according to Article 8 of the EU Taxonomy Regulation.

During the 2023 financial year, the main activity of H&M Group — the distribution and sale of fashion items — was not included in the EU Taxonomy scope. H&M Group does, however, report on other applicable activities which are in scope of the EU Taxonomy reporting for the 2023 financial year.

H&M Group has also identified one activity related to the circular economy that we consider to be eligible for OpEx and Turnover reporting according to the regulation, though there is no obligation to report alignment assessment for this year's report. H&M Group's work towards a circular economy is in line with recent amendments to stimulate transition to a circular economy. H&M Group has also identified several crosscutting activities related to climate change mitigation that we consider to be eligible for CapEx and OpEx reporting according to the regulation. For 2023, H&M Group has performed an alignment assessment for these economic activities. In addition, H&M Group has made an extensive mapping of all its activities and the economic activities that are significant for H&M Group have been included in the reporting.

Accounting principles

Turnover

Total turnover corresponds to net sales in the consolidated income statement in the Financial report.

For further information about turnover, please see the H&M Group income statement on page 94.

CapEx

Total CapEx corresponds to additions, to balance sheet items including property, plant and equipment and intangible assets, before depreciation, amortisation or impairment and excluding any translation effects, as specified in note 14 & 15 to the consolidated balance sheet, complemented by additions/changes in IFRS16 classified right of use assets as specified in note 17 to the consolidated balance sheet.

For further information about CapEx, please see the H&M Group balance report on page 96.

OpEx

In H&M Group's reporting, total OpEx includes repair and maintenance, as well as R&D expenses.

For further information about OpEx, please see the H&M Group income statement on page 94.

Assessment of compliance

Eligibility assessment

Based on the analysis carried out, H&M Group considers the following economic activities to be eligible according to EU Taxonomy regulation in 2023:

5.4 Sale of second-hand goods

The turnover in Sellpy, which is a digital platform for second-hand fashion and other products, consists of sale of second-hand goods. As a result, its turnover falls under economic activity 5.4 Sale of second-hand goods. The description of economic activity 5.4 under the circular economy delegated act states that only second-hand goods used for intended purpose by customers shall be included. Therefore only products that are considered second-hand and supplied by customers have been taken into account.

7.3 Installation, maintenance and repair of energy efficient equipment

H&M Group is undertaking various energy efficiency projects, many of which are immaterial or of a financial support, rather than of an investment, nature. H&M Group has, however, carried out an LED retrofit that entails changing all lights to energy-efficient LED sources in all H&M Group stores. This project falls under the EU Taxonomy economic activity 7.3 installation, maintenance and repair of energy efficient equipment under climate change mitigation delegated act and is therefore included in our taxonomy reporting.

Since 2020, we have undertaken a significant initiative to transition to LED lighting in all our stores.

7.7 Acquisition and ownership of buildings

H&M Group owns a limited number of buildings and no new buildings have been acquired during 2023. Any eligible activities related to new and acquired buildings have therefore been deemed immaterial. H&M Group does, however, have an extensive amount of right of use assets, as all H&M Group's store locations are leased. All of H&M Group's new or renegotiated right of use assets fall under the EU Taxonomy economic activity 7.7 acquisition and ownership of building under climate change mitigation delegated act and are therefore included in our taxonomy reporting.

Alignment assessment

Based on the analysis carried out, H&M Group has assessed the economic activity 7.3 to be aligned. For economic activity 7.7, it has been challenging to gather and validate the necessary data to verify alignment.

Compliance with the technical screening criteria of substantial contribution to climate change mitigation

The economic activity related to the transition to energy-efficient LED sources has been assessed as aligned under installation and replacement of energy-efficient light sources.

Compliance with the technical screening criteria of not causing significant harm (DNSH)

Climate change adaptation

H&M Group performed its first risk analysis following the Task Force on Climate-related Disclosures (TCFD) recommendations during 2019. This analysis has since been updated annually. The outcome of this risk analysis is reported in our TCFD Report, pages 75-78.

None of the significant physical risks identified in the TCFD are connected to the LED retrofit project. Consequently, they do not fall within the scope of the DNSH technical criteria and the DNSH criteria are fulfilled.

Pollution prevention and control

The energy-efficient light sources and materials used in the project to transition to LED lighting are identified as aligned. They conform to the requirements in Appendix C of the EU Restriction of Hazardous Substances Directive, including in relation to the presence of restricted chemicals or other polluting materials.

By replacing conventional lighting with LED technology, the amount of mercury in our installation components has been significantly reduced. LED luminaires contain no mercury, which not only eliminates the risk of environmental damage during waste disposal, but also minimises the potential health risks for those who handle the lighting products.

Compliance with the minimum safeguards

For any economic activity to be considered as aligned, it must be carried out in accordance with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. H&M Group applies robust due diligence to its operations and business decisions, making it possible to identify, prevent, mitigate and remedy, where necessary, any impact on the economy, the environment and people (including any impact on human rights).

H&M Group's Human Rights strategy is aligned with the United Nations Guiding Principles on Business and Human Rights and comprises three elements aimed at ensuring promotion and respect for human rights throughout the company and its value chain. These are: the Group's Human Rights Policy, its due diligence process (including Responsible Business Conduct due diligence process) and grievance mechanisms. The Sustainability Commitment and Responsible Practices set out H&M Group's commitment to professional, ethical and responsible business practices and activities as a fundamental element of the company's business culture. Based on the reasons stated above we fulfil the criteria of minimum social safeguards.

TURNOVER

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code[1] (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
		SEK m	%	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Of which enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which transitional		-	-	-						-	-	-	-	-	-	-	-		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]										
Sale of second-hand goods	CE 5.4	1,056	0.4%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,056	0.4%	-	-	-	-	0.4%	-								-		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**1,056**	**0.4%**	**-**	**-**	**-**	**-**	**0.4%**	**-**								**-**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		234,979	99.6%																
TOTAL		**236,035**	**100.0%**																

	Proportion of turnover/Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	0.0%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.4%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

1) The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:
— Climate Change Mitigation: CCM
— Climate Change Adaptation: CCA
— Water and Marine Resources: WTR
— Circular Economy: CE
— Pollution Prevention and Control: PPC
— Biodiversity and ecosystems: BIO
— Climate Change Adaptation: CCA

2) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective.
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective.
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

3) EL – Taxonomy-eligible activity for the relevant objective.
N/EL – Taxonomy-non-eligible activity for the relevant objective.

CAPEX

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code[1] (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
		SEK m	%	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance and repair of energy efficient equipment	CCM 7.3	449	2.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	-	-	Y	-	E	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		449	2.5%	2.5%	-	-	-	-	-	-	Y	-	Y	-	-	Y	-		
Of which enabling		449	2.5%	2.5%	-	-	-	-	-	-	Y	-	Y	-	-	Y	-	E	
Of which transitional		-	-	-						-	-	-	-	-	-	-	-		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]										
Acquisition and ownership of buildings	**CCM 7.7** / CCA 7.7	2,900	16.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.87%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,900	16.3%	16.3%	-	-	-	-	-								3.87%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**3,349**	**18.8%**	**18.8%**	**-**	**-**	**-**	**-**	**-**								**3.87%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		14,474	81.2%																
TOTAL		**17,823**	**100.0%**																

	Proportion of CapEX/Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	2.5%	16.3%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

1) The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:
— Climate Change Mitigation: CCM
— Climate Change Adaptation: CCA
— Water and Marine Resources: WTR
— Circular Economy: CE
— Biodiversity and ecosystems: BIO
— Pollution Prevention and Control: PPC

2) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective.
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective.
N/EL – not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

3) EL – Taxonomy-eligible activity for the relevant objective.
N/EL – Taxonomy-non-eligible activity for the relevant objective.

OPEX

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code(2)	OpEx (3)	Proportion of OpEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
		SEK m	%	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Of which enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which transitional		-	-	-						-	-	-	-	-	-	-	-		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]										
Sale of second-hand goods	CA 5.4	786	0.6%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		786	0.6%	-	-	-	-	0.6%	-								-		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**786**	**0.6%**	**-**	**-**	**-**	**-**	**0.6%**	**-**								**-**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		120,414	99.4%																
TOTAL		**121,200**	**100.0%**																

	Proportion of OpEX/Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	0.0%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.6%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

1) The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:
— Climate Change Mitigation: CCM
— Climate Change Adaptation: CCA
— Water and Marine Resources: WTR
— Circular Economy: CE
— Pollution Prevention and Control: PPC
— Biodiversity and ecosystems: BIO

2) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective.
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective.
N/EL – not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

3) EL – Taxonomy-eligible activity for the relevant objective.
N/EL – Taxonomy-non-eligible activity for the relevant objective.

Row		
	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Group income statement

SEK M 1 DECEMBER–30 NOVEMBER	2023	2022
Net sales, note 3, 5	236,035	223,553
Cost of goods sold[1], note 7, 8, 10	-115,139	-110,183
GROSS PROFIT	**120,896**	**113,370**
Selling expenses, note 7, 8, 10	-96,435	-94,542
Administrative expenses[1], note 7, 8, 10, 11	-10,895	-11,390
Result from investments in associated companies and joint ventures[1], note 16	971	-269
OPERATING PROFIT	**14,537**	**7,169**
Interest income and similar items	616	162
Interest expense and similar items	-2,143	-1,115
PROFIT AFTER FINANCIAL ITEMS	**13,010**	**6,216**
Tax, note 12	-4,287	-2,650
PROFIT FOR THE YEAR	**8,723**	**3,566**
Attributable to:		
The shareholders of H & M Hennes & Mauritz AB	8,752	3,566
Non-controlling interest	-29	–
Earnings per share, SEK[2]	5.35	2.16
Average number of shares outstanding, thousands[2]	1,629,097	1,649,847

1) For the 2021/2022 financial year, SEK 93 m and SEK 176 m respectively have been reallocated from cost of goods sold and administrative expenses respectively to result from investments in associated companies and joint ventures. Result from investments in associated companies and joint ventures for the full year 2022/2023 relates to SEK 999 m (-176) for revaluation of associated companies of which mainly the former associated company Sellpy, and SEK -28 m (-93) in share of results.
2) Before and after dilution, excluding own shares.

Consolidated statement of comprehensive income

SEK M 1 DECEMBER–30 NOVEMBER	2023	2022
PROFIT FOR THE YEAR	**8,723**	**3,566**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Translation differences	12	3,902
Change in hedging reserves, note 23	413	-478
Tax attributable to change in hedging reserves	-85	87
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension plans, note 22	-41	55
Tax related to the above remeasurement	10	-9
Remeasurement of financial assets, note 24	-599	-2,697
OTHER COMPREHENSIVE INCOME	**-290**	**860**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,433**	**4,426**
Attributable to:		
The shareholders of H & M Hennes & Mauritz AB	8,462	4,426
Non-controlling interest	-29	–

COMMENTS ON THE GROUP INCOME STATEMENT

For many consumers the year was marked by lower purchasing power because of high inflation and high interest rates. Despite this, our net sales in comparable markets increased in relation to the previous financial year. Net sales for the full 2023 financial year increased by 6 percent to SEK 236,035 m (223,553). In local currencies, sales decreased by 1 percent.

The improvement work in the supply chain and continued normalisation of the external factors that influence purchasing costs resulted in a stronger gross margin. Gross profit increased to SEK 120,896 m (113,370). This corresponds to a gross margin of 51.2 percent (50.7).

The gross profit and gross margin are a result of many different factors, internal as well as external, and are mostly affected by the decisions that the H&M group takes in line with its strategy to always have the best customer offering in each individual market – based on the combination of fashion, quality, price and sustainability.

Selling and administrative expenses increased by 1 percent to SEK 107,330 m (105,932). In local currencies the selling and administrative expenses decreased by 4 percent compared with the same period the previous year. This development was made possible by good operational cost control combined with the cost and efficiency programme that was initiated during the fourth quarter 2022. The programme's actions had already started to have an effect in the second and third quarters of 2023. The programme will be completed during 2024. The programme is expected to result in annual savings of around SEK 2 billion once fully implemented.

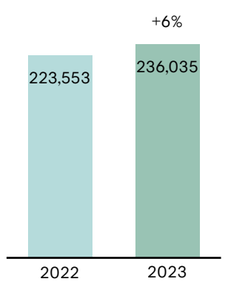
Operating profit was SEK 14,537 m (7,169), corresponding to an operating margin of 6.2 percent (3.2). Operating profit amounted to SEK 14,714 m (7,169), excluding allocation to HIP. This corresponds to an operating margin of 6.2 percent (3.2). In 2022 results were impacted by one-time costs of SEK 2,591 m for winding down the Russian operations and for the cost and efficiency programme.

TAX

The H&M group's tax rate for the 2023 financial year was 35.6 percent (42.6). The final tax rate depends on, among other things, the results of the group's various companies, the corporate tax rates in each country, non-deductible costs and tax expense relating to previous years. The relatively high tax rate for full-year 2023 is mainly due to tax expense relating to previous years.

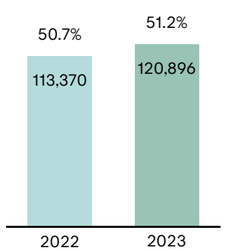
Net sales

SEK M



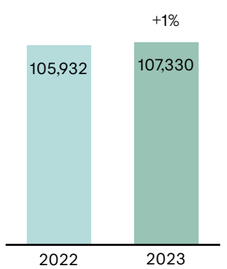
Gross profit and gross margin %

SEK M



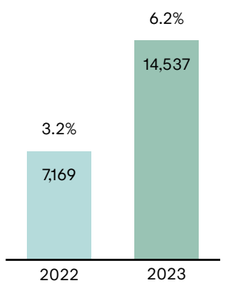
Selling and administrative expenses

SEK M



Operating profit and operating margin %

SEK M



Group balance sheet

SEK M 30 NOVEMBER	2023	2022
ASSETS		
NON-CURRENT ASSETS		
Intangible non-current assets		
Brands, note 14	450	–
Leasehold and similar rights, note 14	296	161
Capitalised development expenditure, note 14	7,966	8,931
Goodwill, note 14	1,013	64
	9,725	**9,156**
Property, plant and equipment		
Buildings and land, note 15	689	697
Equipment, tools, fixture and fittings, note 15	24,553	23,734
Right-of-use assets, note 17	56,294	58,305
	81,536	**82,736**
Non-current financial assets		
Interests in associates, note 16	209	503
Other shares and interests, note 24	2,363	2,654
	2,572	**3,157**
Other non-current assets		
Long-term receivables	1,204	939
Deferred tax assets, note 12	5,707	6,537
	6,911	**7,476**
TOTAL NON-CURRENT ASSETS	**100,744**	**102,525**
CURRENT ASSETS		
Stock-in-trade, note 18	**37,358**	**42,495**
Current receivables		
Accounts receivable, note 24	3,301	3,014
Tax assets, note 12	3,830	3,212
Other receivables	5,111	4,601
Prepaid expenses, note 19	4,531	4,494
	16,773	**15,321**
Cash and cash equivalents, note 20	**26,398**	**21,707**
TOTAL CURRENT ASSETS	**80,529**	**79,523**
TOTAL ASSETS	**181,273**	**182,048**

SEK M 30 NOVEMBER	2023	2022
EQUITY AND LIABILITIES		
EQUITY		
Share capital, note 21	207	207
Reserves	6,196	5,856
Retained earnings	41,116	44,694
Equity attributable to the shareholders of H & M Hennes & Mauritz AB	**47,519**	**50,757**
Non-controlling interest, note 13	82	–
TOTAL EQUITY	**47,601**	**50,757**
LIABILITIES		
Long-term liabilities		
Provisions for pensions, note 22	379	333
Other provisions, note 23	5	242
Deferred tax liabilities, note 12	2,416	3,273
Liabilities to credit institutions, note 27	14,084	9,643
Other long-term liabilities	132	183
Long-term leasing liabilities, note 17, 27	48,729	49,282
	65,745	**62,956**
Current liabilities		
Accounts payable	21,027	21,090
Tax liabilities, note 12	1,377	1,843
Liabilities to credit institutions, note 27	2,998	1,135
Other provisions, note 23	304	594
Current leasing liabilities, note 17, 27	12,159	12,575
Other liabilities	7,329	6,048
Accrued expenses and deferred income, note 5, 25	22,733	25,050
	67,927	**68,335**
TOTAL LIABILITIES	**133,672**	**131,291**
TOTAL EQUITY AND LIABILITIES	**181,273**	**182,048**

COMMENTS ON THE GROUP BALANCE SHEET

The H&M group is in a strong financial position. The group's equity/assets ratio was 26.3 percent (27.9). The share of risk-bearing capital was 27.6 percent (29.7). Equity apportioned on the outstanding 1,622,548 (1,629,687) thousand shares as of 30 November 2023 was SEK 29.34 (31.15) per share. See definitions of key financial performance measures on page 138.

Stock-in-trade

Currency adjusted the stock-in-trade decreased by 13 percent compared with last year. Converted into SEK the stock-in-trade amounted to SEK 37,358 m (42,495). The book value of stock-in-trade in SEK represented 15.8 percent (19.0) of sales.

Financing

As of 30 November 2023 the group had interest-bearing liabilities, excluding lease liabilities and provisions for pensions, of SEK 17,082 m (10,778) in the form of commercial papers, bonds and loans from credit institutions. In addition, the group had undrawn credit facilities of SEK 18,172 m (17,469). The average maturity of interest-bearing liabilities was 5.1 (4.3) years. A maturity analysis of outstanding interest-bearing liabilities and undrawn credit facilities is given in the table in note 2.

The H&M group's liquidity is very good. As of 30 November 2023, cash and cash equivalents amounted to SEK 26,398 m (21,707). Together, cash and cash equivalents and undrawn credit facilities totalled SEK 44,570 m (39,176).

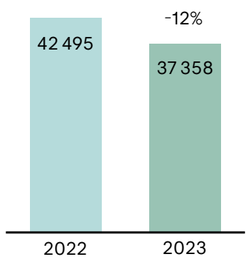
Financial net cash amounted to SEK 9,316 m (10,929). Net debt including provisions for pensions and lease liabilities amounted to SEK 51,951 m (51,261).

Working capital from operating activities amounted to SEK 19,632 m (24,419). Mainly improved inventory efficiency contributed to the development.

The group aims to secure financial flexibility and freedom of action on the best possible terms.

With a view to improving the maturity structure of the group's interest-bearing liabilities and to support financing of projects within circularity and climate, the H&M group issued its first green bond in October. The EUR 500 million bond has a term of eight years and generated great interest among a broad international base of institutional investors, being more than 3.5 times oversubscribed. At the time the bond was issued, the H&M group entered into an interest rate swap that converts the bond's fixed interest rate to a variable rate.

The H&M group advocates a conservative leverage ratio, aiming for a strong capital structure with good liquidity and financial flexibility. It is essential that, as in the past, expansion and investments can proceed with continued freedom of action. The capital structure is defined as net debt in relation to EBITDA. Previously the H&M group has calculated net debt in relation to EBITDA excluding IFRS 16 effects. After consideration the group has decided to include IFRS 16 effects in the calculation and to define the target capital structure as a range to be managed within instead of having a ceiling that should not be exceeded. Including IFRS 16 effects it should be within the range 1.0–2.0 x EBITDA over time. Net debt/EBITDA including IFRS 16 effects was 1.4 (1.7) as of 30 November 2023.



Group changes in equity

SEK M	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY, H & M HENNES & MAURITZ AB						
	SHARE CAPITAL	TRANSLATION DIFFERENCES	HEDGING RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
SHAREHOLDERS' EQUITY 1 DECEMBER 2022	**207**	**6,057**	**-201**	**44,694**	**50,757**	**–**	**50,757**
Profit for the year	**–**	**–**	**–**	**8,752**	**8,752**	**-29**	**8,723**
Other comprehensive income							
Translation differences	–	12	–	–	12	–	12
Change in hedging reserves	–	–	413	–	413	–	413
Tax related to hedging reserves	–	–	-85	–	-85	–	-85
Remeasurement of defined benefit pension plans	–	–	–	-41	-41	–	-41
Tax related to the above remeasurement	–	–	–	10	10	–	10
Remeasurement of financial assets	–	–	–	-599	-599	–	-599
Other comprehensive income	**–**	**12**	**328**	**-630**	**-290**	**–**	**-290**
Comprehensive income	**–**	**12**	**328**	**8,122**	**8,462**	**-29**	**8,433**
Dividend	–	–	–	-10,577	-10,577	–	-10,577
Repurchase of shares	–	–	–	-1,123	-1,123	–	-1,123
Redemption of shares	-3	–	–	3	–	–	–
Bonus issue	3	–	–	-3	–	–	–
Non-controlling interest that has arisen from acquisitions	–	–	–	–	–	111	111
SHAREHOLDERS' EQUITY 30 NOVEMBER 2023	**207**	**6,069**	**127**	**41,116**	**47,519**	**82**	**47,601**

SEK M	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY, H & M HENNES & MAURITZ AB						
	SHARE CAPITAL	TRANSLATION DIFFERENCES	HEDGING RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
SHAREHOLDERS' EQUITY 1 DECEMBER 2021	**207**	**2,155**	**190**	**57,466**	**60,018**	**–**	**60,018**
Profit for the year	**–**	**–**	**–**	**3,566**	**3,566**	**–**	**3,566**
Other comprehensive income							
Translation differences	–	3,902	–	–	3,902	–	3,902
Change in hedging reserves	–	–	-478	–	-478	–	-478
Tax related to hedging reserves	–	–	87	–	87	–	87
Remeasurement of defined benefit pension plans	–	–	–	55	55	–	55
Tax related to the above remeasurement	–	–	–	-9	-9	–	-9
Remeasurement of financial assets	–	–	–	-2,697	-2,697	–	-2,697
Other comprehensive income	**–**	**3,902**	**-391**	**-2,651**	**860**	**–**	**860**
Comprehensive income	**–**	**3,902**	**-391**	**915**	**4,426**	**–**	**4,426**
Dividend	–	–	–	-10,687	-10,687	–	-10,687
Repurchase of shares	–	–	–	-3,000	-3,000	–	-3,000
SHAREHOLDERS' EQUITY 30 NOVEMBER 2022	**207**	**6,057**	**-201**	**44,694**	**50,757**	**–**	**50,757**

Group cash flow statement

SEK M 1 DECEMBER–30 NOVEMBER	2023	2022
Operating activities		
Profit after financial items[1]	13,010	6,216
Adjustment for non-cash items		
- Provisions for pensions, note 22	5	-68
- Other provisions, note 23	-328	836
- Depreciation and amortisation / write-downs, note 10	22,955	22,579
- Other non-cash items[2]	-971	269
Taxes paid, note 12	-5,565	-3,499
Cash flow from operating activities before changes in working capital	**29,106**	**26,333**
Changes in working capital		
Operating receivables	-594	-452
Stock-in-trade, note 18	5,248	-3,734
Operating liabilities	189	2,598
CASH FLOW FROM OPERATING ACTIVITIES	**33,949**	**24,745**
Investing activities		
Investments in leasehold and similar rights, note 14	-11	-27
Investments in other intangible assets, note 14	-967	-1,457
Investments in equipment, note 15	-7,986	-4,527
Other investments[2], note 24	-655	-1,071
CASH FLOW FROM INVESTING ACTIVITIES	**-9,619**	**-7,082**
Financing activities		
Short-term loans	-408	680
New long-term borrowing, note 27	6,312	–
Repayment of long-term loans, note 27	0	–
Amortisation leases, note 17	-12,867	-12,139
Dividend	-10,577	-10,687
Repurchase of shares, note 21	-1,075	-3,000
CASH FLOW FROM FINANCING ACTIVITIES, NOTE 27	**-18,615**	**-25,146**
CASH FLOW FOR THE YEAR	**5,715**	**-7,483**
Cash and cash equivalents at beginning of financial year	**21,707**	**27,471**
Cash flow for the year	5,715	-7,483
Exchange rate effect	-1,024	1,719
Cash and cash equivalents at year-end, note 20	**26,398**	**21,707**

1) Interest paid for the group amounts to SEK 399 m (243). Interest expense related to leases amounts to SEK 1,744 m (872) for the group. Received interest for the group amounts to SEK 616 m (162).
2) For the 2021/2022 financial year, SEK 269 m has been reallocated from Other investments to Other non-cash items.

Parent company income statement

SEK M 1 DECEMBER–30 NOVEMBER	2023	2022
Net sales, note 6	2,264	4,024
GROSS PROFIT	**2,264**	**4,024**
Administrative expenses, note 7, 8, 10, 11	-108	-97
OPERATING PROFIT	**2,156**	**3,927**
Revenue from interests in group companies	11,212	9,032
Interest income and similar items, note 32	280	28
Interest expense and similar items, note 32	-268	-123
PROFIT AFTER FINANCIAL ITEMS	**13,380**	**12,864**
Year-end appropriations, note 28	-1,496	-3,139
Tax, note 12	-117	-149
PROFIT FOR THE YEAR	**11,767**	**9,576**

Parent company statement of comprehensive income

SEK M 1 DECEMBER–30 NOVEMBER	2023	2022
PROFIT FOR THE YEAR	**11,767**	**9,576**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension plans, note 22	-14	20
Tax related to the above remeasurement	3	-4
OTHER COMPREHENSIVE INCOME	**-11**	**16**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**11,756**	**9,592**

Parent company balance sheet

SEK M 30 NOVEMBER	2023	2022
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and land, note 15	116	120
Equipment, tools, fixture and fittings, note 15	24	36
	140	**156**
Non-current financial assets		
Shares and interests, note 29	1,119	819
Receivables from subsidiaries	78	78
Other non-current receivables	328	104
Deferred tax assets, note 12	70	71
	1,595	**1,072**
TOTAL NON-CURRENT ASSETS	**1,735**	**1,228**
CURRENT ASSETS		
Current receivables		
Accounts receivable	17	9
Receivables from subsidiaries	29,694	25,592
Tax assets	899	–
Other receivables	63	43
Prepaid expenses, note 19	139	451
	30,812	**26,095**
Cash and bank balances, note 20	**2**	**2**
TOTAL CURRENT ASSETS	**30,814**	**26,097**
TOTAL ASSETS	**32,549**	**27,325**

SEK M 30 NOVEMBER	2023	2022
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital, note 21	207	207
Restricted reserves	88	88
	295	**295**
Non-restricted equity		
Retained earnings	4,309	6,417
Profit for the year	11,756	9,592
	16,065	**16,009**
TOTAL EQUITY	**16,360**	**16,304**
UNTAXED RESERVES, NOTE 30	**17**	**21**
LIABILITIES		
Long-term liabilities		
Provisions for pensions, note 22	123	116
Liabilities to credit institutions, note 27	13,072	9,233
	13,195	**9,349**
Current liabilities		
Accounts payable	8	4
Tax liabilities	–	345
Liabilities to credit institutions, note 27	2,693	950
Other liabilities	141	176
Accrued expenses and deferred income, note 25	135	176
	2,977	**1,651**
TOTAL LIABILITIES	**16,172**	**11,000**
TOTAL EQUITY AND LIABILITIES	**32,549**	**27,325**

Parent company changes in equity

SEK M	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL EQUITY
SHAREHOLDERS' EQUITY 1 DECEMBER 2022	**207**	**88**	**16,009**	**16,304**
Profit for the year	**–**	**–**	**11,767**	**11,767**
Other comprehensive income				
Remeasurement of defined benefit pension plans	–	–	-14	-14
Tax related to the above remeasurement	–	–	3	3
Other comprehensive income	**–**	**–**	**-11**	**-11**
Comprehensive income	**–**	**–**	**11,756**	**11,756**
Dividend	–	–	-10 577	-10 577
Repurchase of shares	–	–	-1,123	-1,123
Redemption of shares	-3	–	3	–
Bonus issue	3	–	-3	–
SHAREHOLDERS' EQUITY 30 NOVEMBER 2023	**207**	**88**	**16,065**	**16,360**

SEK M	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL EQUITY
SHAREHOLDERS' EQUITY 1 DECEMBER 2021	**207**	**88**	**20,104**	**20,399**
Profit for the year	**–**	**–**	**9,576**	**9,576**
Other comprehensive income				
Remeasurement of defined benefit pension plans	–	–	20	20
Tax related to the above remeasurement	–	–	-4	-4
Other comprehensive income	**–**	**–**	**16**	**16**
Comprehensive income	**–**	**–**	**9,592**	**9,592**
Dividend	–	–	-10,687	-10,687
Repurchase of shares	–	–	-3,000	-3,000
SHAREHOLDERS' EQUITY 30 NOVEMBER 2022	**207**	**88**	**16,009**	**16,304**

Parent company cash flow statement

SEK M 1 DECEMBER–30 NOVEMBER	2023	2022
Operating activities		
Profit after financial items[1]	13,380	12,864
Adjustment for non-cash items		
- Provisions for pensions, note 22	-7	-8
- Depreciation and amortisation / write-downs, note 10	17	20
- Other non-cash items	-126	–
Taxes paid, note 12	-1,357	-312
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	**11,907**	**12,564**
Changes in working capital		
Operating receivables	-3,819	3,619
Operating liabilities	-1,620	-3,177
CASH FLOW FROM OPERATING ACTIVITIES	**6,468**	**13,006**
Investing activities		
Investments in equipment	0	-4
Investments in group companies	-300	–
Other investments	7	12
CASH FLOW FROM INVESTING ACTIVITIES	**-293**	**8**
Financing activities		
Short-term loans, note 27	-325	675
New long-term borrowing, note 27	5,802	–
Dividend	-10,577	-10,687
Repurchase of shares, note 21	-1,075	-3,000
CASH FLOW FROM FINANCING ACTIVITIES	**-6,175**	**-13,012**
CASH FLOW FOR THE YEAR	**0**	**2**
Cash and cash equivalents at beginning of the financial year	**2**	**0**
Cash flow for the year	0	2
Cash and cash equivalents at year-end, note 20	**2**	**2**

1) Interest paid for the parent company amounts to SEK 268 m (123). Received interest for the parent company amounts to SEK 280 m (7), note 32.

Notes to the financial statements

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Notes to the financial statements

CORPORATE INFORMATION
The parent company H & M Hennes & Mauritz AB (publ) is a limited company domiciled in Stockholm, Sweden. The parent company's corporate identity number is 556042-7220. The company's shares are listed on the Stockholm stock exchange, Nasdaq Stockholm. The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. The company's financial year runs from 1 December to 30 November. The annual report was approved for publication by the board of directors on 21 March 2024 and will be submitted to the annual general meeting for approval on 3 May 2024.

Ramsbury Invest AB's holding of shares in H & M Hennes & Mauritz AB represents 55.4 percent of all shares and 78.5 percent of the total voting power. Ramsbury Invest AB (556423-5769) is thus formally the parent company of H & M Hennes & Mauritz AB.

1. ACCOUNTING PRINCIPLES

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

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

Applicable accounting policies are described in connection with each note.

Parent company
The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, which essentially means that IFRS is applied. In accordance with RFR 2, the parent company does not apply IFRS 9 with the exception of the principles in IFRS 9 regarding the time of recognition and removal of financial instruments in the balance sheet and the principles for impairment testing and recognition of expected credit losses. The parent company applies the exception in RFR 2 in respect of IFRS 16, which means that the principles of IFRS 16 are not applied in the legal entity. Due to the link between reporting and taxation, year-end appropriations and untaxed reserves are reported in the parent company's financial statements.

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

Changes in accounting principles and disclosure requirements
The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual report and consolidated financial statements for 2022 and which are described in note 1, Accounting principles. The H&M group applies the exception to the accounting for deferred taxes arising from the Pillar II model rules in IAS 12 Income Taxes.

Future accounting principles and disclosure requirements
The amendments in accounting standard IAS 12 Income Taxes regarding Deferred Tax related to Assets and Liabilities arising from a Single Transaction will apply from 1 January 2023, affecting the H&M group's financial statements from 2024. The amendment will entail that deferred tax will be calculated on right-of-use assets and liabilities attributable to leases.

Other new or amended accounting standards that have been published but not yet entered into force are not expected to have any material impact on the financial statements. No new or amended accounting standards that are not yet mandatory have been early adopted by the H&M group.

Climate change
The potential impact of climate change has been considered in preparing the financial statements, particularly in the context of the risks in the Task Force on Climate-related Financial Disclosures (TCFD) climate risk analysis (pages 75-78).

The following areas have been considered:

Changes in customer attitudes and purchasing patterns
Climate-related matters could have an impact on customer behaviour and changes in consumption patterns, thus affecting the revenue of the group. The changes in customer attitudes and purchasing patterns could also impact the value of stock, as inventory could become obsolete as a result of a decline in selling prices or demand.

Introduction of global or regional climate legislation
The introduction of climate-related legislation, such as carbon taxes, could cause higher production costs, thus affecting the cost of goods sold for the H&M group. Especially suppliers dependent on fossil fuels could be affected by an increase in climate-related legislation.

H&M Group has made efforts to help phase out fossil fuels in the supply chain. For 2023, the spend on recycled and sustainably sourced materials and decarbonisation amounted to a total of SEK 2.1 billion, which has been accounted for as cost of goods sold, equipment, tools, fixture and fittings, long-term loans to suppliers, prepaid expenses, selling expenses, and administrative expenses.

Increase in raw material, energy, and water costs
Climate-related matters could impact the availability and price of raw materials as well as increase energy and water costs and may impact the production and logistic costs of suppliers causing an increase of the group's cost of goods sold. Climate change may also cause production and distribution disruptions, also affecting the group's purchasing costs.

Natural disasters
The recoverable amount and useful life of assets could be impacted by climate-related matters, such as natural disasters, and could cause costs for impairment and changes in amounts of depreciation.

In estimating future cash flows, such as for impairment testing purposes, assessments and assumptions are made that are not linked to the scenarios described in the TCFD analysis, as the data that these scenarios are built on are connected with a high degree of uncertainty.

Funding is provided to supplier factories to enable investments to reduce energy demand and replace fossil fuels. For 2023, the funding consists of loans to suppliers that are accounted for as long-term receivables and other receivables.

The H&M group has entered into offtake agreements, contracts to buy permanent carbon removals, after joining Frontier, an advanced market commitment for permanent carbon removal. The contracts include making payments in advance, which are accounted for as prepaid expenses. Once permanent carbon removals are delivered, the cost is reflected in the income statement. Prepaid expenses or costs related to carbon removals do not amount to significant amounts for 2023. Commitments for additional payments to the companies the group has binding agreements with do not amount to significant amounts for each individual year up until 2030.

For 2023, climate change has not been assessed to have a significant impact on the financial statements nor on the estimates and assumptions made when preparing the annual report and consolidated accounts.

Government assistance
The H&M group accounts for government assistance in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The grants are reported as a reduction in the cost of the items to which the grants relate. The grants are reported in the income statement and balance sheet when it is reasonably certain that the grants will be received and potential conditions for receiving the grants are fulfilled. No significant amounts of government assistance have been received during 2023.

Estimates, assumptions and assessments
In preparing the annual and consolidated financial statements in accordance with IFRS, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience, other relevant factors and expectations of the future, and are reviewed regularly. The actual outcome may therefore deviate from the estimates and assumptions made.

The sources of estimation uncertainty, assessments and assumptions that have been identified by the H&M group refer to the measurement of stock-in-trade, capitalisation of development expenditures, impairment testing of non-current assets, establishing the term of the lease and an interest rate for borrowing included in the calculations of the right-of-use assets and interest-bearing liabilities attributable to leases, recognition of provisions, and the measurement of current and deferred tax; see notes 10, 12, 17, 18 and 23.

Consolidated accounts
Basis of consolidation
The consolidated financial statements cover the parent company and its subsidiaries. Subsidiaries are defined as all companies in which the group owns or controls more than 50 percent of the votes, or in which the group alone has a controlling interest through an agreement or such. Subsidiaries are included in the consolidated accounts from the date of acquisition, which is the date on which the parent company gains a controlling interest and are included in the consolidated accounts until such date as the controlling interest ends. Intra-group income, expenses, receivables, and liabilities, as well as unrealised gains and losses, are eliminated entirely in the preparation of the consolidated accounts.

The financial reports for the parent company and the subsidiaries included in the consolidated accounts cover the same period and have been prepared in accordance with the accounting principles that apply to the group. Associates and joint ventures are accounted for using the equity method when the group has significant influence or joint control.

Associates and joint ventures
All companies in which the group has a significant interest (associates) or joint control (joint ventures) are accounted for according to the equity method, see note 16.

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

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

Interest income
Interest income is recognised as it is earned.

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

2. FINANCIAL RISKS

The H&M group's financing and management of financial risk is carried out centrally within the group's finance department in accordance with a financial policy established by the board of directors. The financial policy establishes the framework, guidelines, mandate, and responsibilities for monitoring, reporting, and managing financial matters. The group treasurer shall report the group's liquidity, funding need, and financial risks to the CFO on a monthly basis. The H&M group's accounting principles for financial instruments, including derivatives, are described in note 24.

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

Cont. Note 2. Financial risks

The risks relating to these instruments are primarily the following:

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

— currency risk associated with flows and with financial assets in foreign currencies;

— credit risk and counterparty risk associated with financial assets and derivative positions;

— liquidity risk and financing risk relating to liquidity and cash flow as well as financing and refinancing of the group's capital requirements.

Interest rate risk
Interest rate risk is the risk that earnings or the fair value of assets and liabilities will be adversely affected by changes in interest rates. The H&M group's exposure to risk from changes in interest rates relates to cash and cash equivalents, short-term investments and liabilities to credit institutions and for finance leases. The original term of the investments is up to three months as of the closing date. The group's cash and cash equivalents and short-term investments as of the closing date amounted to SEK 26,398 m (21,707). As of the closing date, loans and leases amounted to SEK 77,970 m (72,635). An interest rate increase of 1 percentage point on these amounts would increase interest income from cash and cash equivalents and short-term investments by SEK 264 m (222) and would increase interest expense for external borrowing and leases by SEK 685 m (544). A corresponding decrease in the interest rate would reduce interest income by the same amount and would decrease interest expense related to liabilities to credit institutions and for leases. Changes in interest rates are expected to have limited effects on the book value of the group's interest-bearing liabilities. The background is that liabilities to credit institutions are either valued at amortised cost or hedged with interest rate swaps.

The group's exposure to the reform of interbank offered rates (IBOR) is limited. As of 30 November 2023 there are no drawn credit facilities that refer to IBOR.

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

Currency exposure associated with financial instruments
The H&M group's currency risk associated with financial instruments is mainly related to financial investments, accounts payable and derivatives. The group's accounts payable in foreign currencies are mainly handled in Sweden and are largely hedged through forward contracts. Based on this, a 10 percent change in the value of the Swedish krona in relation to other currencies would have an insignificant momentary effect on profit related to financial instrument holdings as of the closing date. A 10 percent strengthening of the Swedish krona would have a positive effect on the hedging reserve in equity of around SEK 80 m (542) before taking into account the tax effect, of which SEK 812 m (1,207) relates to EUR and SEK -1,800 m (-1,892) to USD. The group's exposure to outstanding derivative instruments is reported in note 24.

The group's operating result for the year was affected by net exchange rate differences relating to flows of goods in the amount of SEK -168 m (143).

Transaction exposure associated with commercial flows
Payment flows in the form of payments in foreign currencies for accounts receivable and payable expose the group to currency risk. To manage currency risk relating to changes in exchange rates, the group hedges its currency rate within the framework of the financial policy. Currency risk exposure is managed at a central level. A large share of the group's sales is made in EUR, while the group's most significant purchase currencies are the USD and EUR. Fluctuation in the USD/EUR exchange rate is the single largest transaction exposure within the group. The estimated operational transaction exposure for the group's main currencies is shown in the table below. As an example, the net transaction exposure for incoming and outgoing payments in USD is a deficit. A strengthening of the USD exchange rate against all other currencies by 10 percent would have a negative effect on cash flow and operating profit of SEK 5,402 m (6,325) and a weakening would have a positive effect of SEK 5,402 m (6,325). The analysis is based on the assumption that no currency flows have been hedged and is made before offsetting price adjustments and other similar measures. The group also has transaction exposure to a large number of smaller currencies which together add up to the line "Other".

CURRENCY	2023	2022
EUR	26,752	28,257
GBP	6,848	6,794
USD	-54,015	-63,254
Other	34,952	35,362

To hedge the flows of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuations, the group's purchases of goods and the bulk of related forecast inflows from the sales companies are fully hedged under forward contracts on an ongoing basis. The average term of outstanding forward contracts is around three months. All derivatives have an original maturity of less than one year.

Translation exposure on consolidation of entities outside Sweden
In addition to the effects of transaction exposure, profits are also affected by translation effects as a result of changes in exchange rates for the local currencies of the various foreign subsidiaries against the Swedish krona, compared to the same period the previous year. The underlying result in a market may be unchanged in the local currency, but when converted into SEK may increase if the Swedish krona has weakened or decrease if the Swedish krona has strengthened. Translation effects also affect the group's net assets on consolidation of the foreign subsidiaries' balance sheets (translation exposure in the balance sheet). Where the remeasurement of balance sheet items affects the group's income statement, such as in the case of intragroup liabilities and short-term intragroup receivables, these are to be fully hedged. Net investment in foreign currency may be hedged in full or in part through a liability in the same currency, known as an equity hedge. As of 30 November 2023 certain portions of net investments are hedged in this way. The purpose of the hedging is to protect – in the group's consolidated accounts – the majority of the value of net investments in EUR from EUR/SEK exchange rate fluctuations.

Credit risk and counterparty risk
Credit risk is the risk that the H&M group's counterparties will be unable to meet their commitments and thus cause losses for the H&M group. Financial credit risk arises primarily as counterparty risk in the

Cont. Note 2. Financial risks

form of investments or cash and cash equivalents in the bank accounts, and also as receivables from banks attributable to surplus value in derivative instruments The financial policy states maximum amounts and terms for investments and for cash and cash equivalents in bank accounts with different ratings. Credit exposure as of 30 November 2023 equals the book value for cash and cash equivalents of SEK 26,398 m (21,707), accounts receivable of SEK 3,301 m (3,014), derivative instruments of SEK 1,089 m (681), and other long-term receivables of SEK 1,204 m (939), totalling SEK 31,992 m (26,341). The group's own credit operations were phased out and are now managed through collaboration with an external party.

The group aims to have master netting agreements (ISDA) with all counterparties for transactions involving derivative instruments. Assets and liabilities related to derivative instruments are not netted in the balance sheet.

2023	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES
Gross amount	1,089	1,205
Effect of netting agreements	-864	-864
Net position	225	341

2022	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES
Gross amount	681	1,365
Effect of netting agreements	-665	-665
Net position	16	700

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

The strategy for the H&M group's liquidity planning and financing is to maintain good payment capacity and to identify and cover liquidity needs arising in the group. Liquidity and financing risks are regulated in the H&M group's financial policy, which states that loans are to have an evenly distributed maturity structure and that cash and undrawn credit facilities are to cover the company's forecast short-term liquidity needs. Cash and cash equivalents and short-term investments were SEK 26,398 m (21,707) as of 30 November 2023. Cash and cash equivalents, short-term investments and undrawn credit facilities totalled SEK 44,570 m (39,176). The group's current assets closely match its current liabilities in terms of maturity structure.

Maturity analysis of financial liabilities

FINANCIAL LIABILITIES	<1 YEAR	1-5 YEARS	>5 YEARS	TOTAL
Liabilities to credit institutions	3,236	2,260	11,586	17,082
Lease liability	12,159	28,584	20,145	60,888
Accounts payable	21,027	–	–	21,027
Other financial liabilities	30,075	39	80	30,194
Total	**66,497**	**30,883**	**31,811**	**129,191**

As of 30 November 2023 the group had interest-bearing liabilities of SEK 17,082 m (10,778) in the form of commercial papers, bonds, and loans from credit institutions. In addition, the group has undrawn credit facilities of SEK 18,172 m (17,469). The average maturity of interest-bearing liabilities and undrawn credit facilities was 5.1 (4.3) years. A maturity analysis for outstanding interest-bearing liabilities and undrawn credit facilities is given below.

YEAR	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS	UNDRAWN CREDIT FACILITIES
2023	–	–	2,272	–
2024	625	–	339	–
2025	–	–	–	–
2026	–	–	2,000	3,407
2027	–	–	–	–
2028	–	–	260	14,765
2029	–	5,679	–	–
2030	–	–	–	–
2031	–	5,907	–	–
Total SEK m	**625**	**11,586**	**4,871**	**18,172**

Supplier payment process
The H&M group payment terms to commercial goods suppliers are in line with industry standard. Some suppliers choose to sell their receivables, and if requested, the H&M group can introduce banks to purchase these receivables. This arrangement has together with the underlying trade agreements been analysed from a number of indicators of which all fulfil the requirements for these transactions to be recognised as trade payables.

3. SEGMENT REPORTING

When reporting operating segments, IFRS 8 Operating Segments is applied.

The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. Internal follow-up of the group's business is carried out on a country-by-country basis by the CEO, who is the group's chief operating decision maker. Each country is thus an operating segment. However, the various countries sell similar products via similar sales channels to similar customers. Goods purchasing is carried out collectively for the group. Some countries have similar economic characteristics, such as comparable long-term economic results as well as comparable operational and financial risks. In view of this, countries which have these similar economic characteristics are combined in the segment reporting. The H&M group has combined countries to form the segments Asia and Oceania, Europe and Africa, and North and South America. The parent company and subsidiaries with no external sales are reported separately under Group Functions. The same accounting principles are applied to segment reporting as in the consolidated accounts. Transactions between segments take place on normal commercial terms.

Cont. Note 3. Segment Reporting

	2023	2022
Asia and Oceania		
External net sales	29,941	29,385
Operating profit	890	689
Operating margin, %	3.0	2.3
Assets excluding tax assets and internal receivables	10,973	13,269
Liabilities excluding tax liabilities and internal liabilities	3,488	3,354
Investments	486	385
Depreciation, amortisation and write-downs	1,092	1,393
Europe and Africa[1]		
External net sales	152,308	143,180
Operating profit	4,283	353
Operating margin, %	2.8	0.2
Assets excluding tax assets and internal receivables	24,863	31,391
Liabilities excluding tax liabilities and internal liabilities	18,658	16,725
Investments	2,708	2,351
Depreciation, amortisation and write-downs	3,332	4,216
North and South America		
External net sales	53,786	50,988
Operating profit	2,224	1,247
Operating margin, %	4.1	2.4
Assets excluding tax assets and internal receivables	19,255	17,552
Liabilities excluding tax liabilities and internal liabilities	8,574	8,887
Investments	1,740	1,185
Depreciation, amortisation and write-downs	2,429	2,542
Group Functions		
Net sales to other segments	79,667	68,241
Operating profit	7,140	4,880
Operating margin, %	9.0	7.2
Assets excluding tax assets and internal receivables	116,645	110,087
Liabilities excluding tax liabilities and internal liabilities	99,163	97,209
Investments	4,030	2,090
Depreciation, amortisation and write-downs	16,102	14,428

1) South Africa

	2023	2022
Eliminations		
Net sales to other segments	-79,667	-68,241
Total		
External net sales	**236,035**	**223,553**
Operating profit	**14,537**	**7,169**
Operating margin, %	**6.2**	**3.2**
Net financial items	**-1,527**	**-953**
Profit after financial items	**13,010**	**6,216**
Assets excluding tax assets and internal receivables	**171,736**	**172,299**
Liabilities excluding tax liabilities and internal liabilities	**129,879**	**126,175**
Investments	**8,964**	**6,011**
Depreciation, amortisation and write-downs	**22,955**	**22,579**

Operating profit for each segment is based on how the H&M group tracks results internally within the group and may deviate from the fiscal result in each market. Group Functions includes results that have been realised in multiple different geographical areas of the world and reflects the value creation within the group. All effects of IFRS 16 are included under Group Functions. Impairment of non-current assets totalling SEK 298 m (218), as a result of impairment testing, is allocated to segments as follows: Asia and Oceania SEK 39 m (48), Europe and Africa SEK 150 m (92), and North and South America SEK 110 m (78). For further information see note 10.

The group's property, plant and equipment amounted to SEK 81,536 m (82,736) as of 30 November 2023. The property, plant and equipment are largely distributed between the countries in accordance with each country's level of sales. Property, plant and equipment amounted to SEK 4,014 (4,101) in Sweden, to SEK 5,959 m (7,320) in Italy, to SEK 7,167 m (7,044) in Germany and to SEK 15,561 m (17,897) in the US as of 30 November 2023.

4. BUSINESS COMBINATIONS

When reporting acquisitions, IFRS 3 Business Combinations is applied.

All business combinations are reported according to the acquisition method, which means that acquired assets and assumed liabilities are recognised and measured at fair value at the acquisition date. If the transferred consideration exceeds the estimated value of identifiable net assets in the acquired company at the time of acquisition, the difference is recognised as goodwill. If the transferred consideration is less than the finally determined value of identifiable net assets, the difference is recognised directly in the income statement. Non-controlling interests are determined for each transaction either as a proportionate share of the fair value of identifiable net assets or at fair value. Transaction costs related to acquisitions are not included in the cost of the acquisition but are expensed. In a business combination achieved in stages, the group's previously held equity interest in the acquired entity is remeasured at its fair value on the acquisition date, with any resulting gain or loss recognised in the income statement.

Cont. Note 4. Business combinations

Acquisitions in 2023

Sellhelp AB

As a result of contractual changes, without paying any additional purchase consideration, the H&M group obtained a controlling interest in its former associate Sellhelp AB as of 9 December 2022. As of the contract date the H&M group owned 79.84 percent of the shares in the company. Non-controlling interests amounted to SEK 108 m as of the contract date and have been measured at the proportionate share of the recognised value of acquired net assets. Sellhelp AB has developed a platform – Sellpy – for second-hand products. The investment contributes to the group's initiatives for sustainability and circular business models. Prior to the date of the contractual changes the book value of the group's interest in Sellhelp AB amounted to SEK 269 m. Obtaining a controlling interest has resulted in a reported gain of SEK 1,107 m based on a fair value for the group's interest of SEK 1,376 m. The gain is reported on the line "Result from investments in associated companies and joint ventures" in the consolidated income statement and has no effect on cash flow. The interest in Sellhelp AB has been valued using a combined estimate from two valuation methods: one in which relevant multiples from similar companies have been applied to the company's key ratios and one based on historical majority transactions in the same industry.

Sellhelp AB's operations are consolidated into the H&M group's accounts with effect from the first quarter of 2023. Obtaining a controlling interest gave rise to intangible assets in the form of brands amounting to SEK 500 m, technical platform amounting to SEK 136 m and goodwill amounting to SEK 949 m. No other acquired assets or assumed liabilities amount to a material sum. Reported goodwill primarily refers to assets that cannot be recognised in the balance sheet, including but not limited to a circular business model and future growth, and is not expected to be tax-deductible. Sellhelp AB's operations contributed SEK 1,148 m and SEK -80 m respectively to the group's net sales and operating profit for the financial year 2023. The operations are included in the "Europe and Africa" segment. During the current financial year the group has incurred no transaction costs related to obtaining the controlling interest in Sellhelp AB.

5. NET SALES

When reporting revenue, IFRS 15 Revenue from Contracts with Customers is applied.

The group's income is generated mainly by the sale of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. The customers are primarily private individuals, with the same prices applying to all customers. Any price reductions are general and not directed to any specific individual. Sales revenues are reported as net sales in the income statement, i.e. sales revenue less value-added tax, returns and discounts. Revenue from both store and online sales is reported in conjunction with sale to the customer and is based on the country in which the store is located or the online customer lives. In the case of store sales, therefore, the transaction price is due for payment immediately when the customer makes the purchase and receives the product in the store. In the case of online sales this principle means that revenue is reported when control of the goods is considered as transferred from the H&M group.

In addition to the main sale of new goods, a smaller share of the total turnover also consists of the sale of services such as repair and rental, commission-based sales, second-hand online sales, a membership-based business model and B2B sales of print-on-demand.

The right to return goods is, as a minimum, in accordance with the local rules in the country concerned. Based on historical data and best estimates, a returns reserve and a right of return asset are calculated which are reported gross under Other current liabilities and Stock-in-trade.

The payment terms are the same for all customers paying in cash or by card and the amount of remuneration is not variable. In certain markets (mainly online) the group collaborates with an external partner to offer payment terms that allow later payment against invoice, usually after 30 days.

Gift cards are offered in many countries and generally give rise to a liability in the country concerned with effect from the date of purchase. Revenue is then recognised when the card is used or expires.

Franchise sales have two components: sales of goods to franchisees, which are reported on delivery of the goods, and franchise fees, which are reported when the franchisee sells goods to the consumer.

The points that members of the H&M loyalty programme can earn and in the future use in the form of discounts represent a right that they would not have without entering into this agreement. Points earned that have not been used are reported as a current liability as well as a reduction in revenue in order to correspond to the future reduction in revenue that arises when the points issued are used to obtain discounts. Revenue is recognised when the points are used or when they expire maximum 12 months after being earned. The group applies the practical expedient not to disclose information about remaining performance obligations since these are thus part of contracts with an original expected duration of one year or less. The liability is based on fair value calculated per outstanding point.

SEK M 30 NOVEMBER	2023	2022
Contract liabilities	1,031	1,110

The entire opening balance has been accounted for as income during the year.

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

	NET SALES 2023	NUMBER OF STORES 30 NOV 2023	NET SALES 2022	NUMBER OF STORES 30 NOV 2022
Germany	35,255	420	31,634	430
US	33,068	508	33,406	520
UK	17,511	238	16,338	246
France	11,274	197	10,285	201
Sweden	8,854	136	8,286	137
Italy	7,475	160	7,080	164
Netherlands	7,360	107	6,185	114
Poland	7,254	182	5,993	188
Switzerland	6,831	91	6,146	90
Canada	6,724	94	6,172	97
Other	94,429	2,236	92,028	2,278
Total	**236,035**	**4,369**	**223,553**	**4,465**

6. REVENUE FROM GROUP COMPANIES

The parent company's internal sales consist of royalties of SEK 2,184 m (3,942) and other income of SEK 35 m (37) from group companies.

7. COSTS BY TYPE

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

For information on payroll see note 8, and for depreciation, amortisation and write-downs see note 10.

8. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

When reporting benefits to employees, IAS 19 Employee Benefits is applied.

2023	BOARD, CEO, EXECUTIVE MANAGE-MENT, SALARY	SALARY, OTHER EMPLOYEES	SOCIAL SEC. COSTS TOTAL	OF WHICH PENS. TOTAL	OF WHICH PENS. BOARD, CEO, EXECUTIVE MANAGE-MENT
Sweden, parent company	22	–	30	23	4
Subsidiaries	40	34,976	7,574	760	13
Group total	**62**	**34,976**	**7,605**	**784**	**17**

2022	BOARD, CEO, EXECUTIVE MANAGE-MENT, SALARY	SALARY, OTHER EMPLOYEES	SOCIAL SEC. COSTS TOTAL	OF WHICH PENS. TOTAL	OF WHICH PENS. BOARD, CEO, EXECUTIVE MANAGE-MENT
Sweden, parent company	29	–	-5	-13	4
Subsidiaries	73	33,202	7,686	817	24
Group total	**102**	**33,202**	**7,681**	**804**	**28**

Board fees
According to a resolution adopted at the Annual General Meeting (AGM) 2023, fees to the board of directors appointed at the AGM for the period until the close of the AGM 2024 shall be paid as follows: The chair of the board SEK 1,850,000 (1,800,000); board members elected by the AGM SEK 800,000 (775,000); members of the Audit Committee an additional SEK 200,000 (200,000); and the chair of the Audit Committee an additional SEK 300,000 (280,000). In total, the board fees amounted to SEK 8,150,000 (7,905,000).

The AGM decides on board fees for a period of one year until the next AGM. This means that remuneration is paid for the period until the next annual general meeting is held, i.e. for the period 4 May 2023 to 3 May 2024. The amounts decided on the 2022 AGM were paid out after the 2023 AGM. As of the AGM on 4 May 2023 the board consists of eight ordinary members elected by the AGM. There are also three employee representatives, with three deputies for these positions. Eight members of the board are women and six are men. Six of the 14 are employed by the company.

Board member Lena Patriksson Keller is the majority shareholder in Patriksson Group AB, which had business dealings with H&M Group during the year. The transactions took place on market terms and remuneration for 2023 amounted to SEK 6.9 m (10.6). Outstanding balances as of 30 November 2023 totalled SEK 0.6 m (0.2). Erica Wiking Häger is a partner at the law firm Mannheimer Swartling, which had business dealings with H&M Group during the year. Erika Wiking Häger left the board at the annual general meeting in May 2023. The transactions took place on market terms and remuneration for 2023 amounted to SEK 0.4 m (3.9). Outstanding balances as of 30 November 2023 totalled SEK 0.0 m (0.1).

Remuneration of senior executives
Remuneration of senior executives is based on guidelines adopted annually by the AGM; see the administration report on pages 48-50.

Remuneration of the chief executive officer
Remuneration paid to the CEO during the 2023 financial year in the form of salary and benefits amounted to SEK 15.1 m (14.7). In addition, the CEO received variable remuneration of SEK 3.8 m (0) in respect of the 2023 financial year that was paid and expensed in the first quarter of 2024. Pension benefits for the CEO are covered by a defined contribution plan and by the ITP plan. The combined pension expenses shall amount in total to 30 percent of the CEO's fixed salary. Pension expenses amounted to SEK 4.4 m (4.3). The retirement age for the CEO is 65.

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

Pension for a former CEO
A former CEO retired on 1 September 2009. The total pension commitments recognised as liabilities, based on the fact that for the first three years of retirement the person received a pension equivalent to 65 percent of fixed salary and thereafter receives a lifelong pension equivalent to 50 percent of the same salary, amount to SEK 105.5 m (97.5). The change in the year's pension commitments recognised as liabilities includes actuarial gains of SEK 13.0 m (22.0). Pension costs for the former CEO are included under "of which pensions to board, CEO, executive management".

Remuneration of the executive management team
Including the CEO, as of 30 November 2023 the executive management in the group comprised of 4 (9) men and 4 (6) women, of which 0 (0) men and 1 (1) woman in the parent company. In addition to the CEO, the executive management team consists of the CFO, the person with responsibility for H&M, the person with responsibility for Portfolio Brands, the person with responsibility for New Growth & Ventures, and the heads of the following group functions: People & Organisational Development/Human Resources, Sustainability and Group Communications.

Cont. Note 8. Salaries, other remuneration and social security costs

Remuneration paid to members of the executive management team, other than the CEO, during the 2023 financial year in the form of salary and benefits amounted to SEK 39.6 m (58.2). In addition, members of the executive management team, other than the CEO, received variable remuneration of SEK 9.7 m (0) in respect of the 2023 financial year that was paid and expensed in the first quarter of 2024. Pension expenses relating to the executive management team, other than the CEO, during the year amounted to SEK 13.3 m (23.9). There are rules in place for members of the executive management team with respect to supplements to retirement pension beyond the ITP plan. The retirement age varies between 62 and 65. The cost of this commitment is partially covered by separate insurance policies.

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

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

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

The 2013 annual general meeting resolved to change the basis of future contributions to HIP. The contribution is no longer linked to the increase in dividend; instead, contributions to HIP are based on 10 percent of the increase in the company's profit after tax between two consecutive financial years. The increase in profit is calculated on profit after tax before any contribution to HIP. Thus, when calculating the contribution to HIP for year 2, the year's profit after tax is compared with year 1's profit after tax before any contribution to HIP. This ensures that the two years are compared on a like-for-like basis; in other words, profit after tax before any contribution to HIP. The first contribution to HIP based on an increase in profit was made for the financial year which ended on 30 November 2013.

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

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

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

In the consolidated accounts the costs of the incentive programme are recognised in accordance with the rules on short-term profit-sharing and bonus schemes set out in IAS 19. The expense is recognised when the amount has been established and an obligation exists. The amount is transferred to the foundation during the next financial year.

For 2023 a contribution of SEK 177 m (0) was made to the incentive programme, based on the principle for contributions to HIP adopted at the 2013 AGM and described above.

9. AVERAGE NUMBER OF EMPLOYEES

	2023 TOTAL	MALE %	2022 TOTAL	MALE %
Sweden	10,281	27	10,447	27
Norway	1,499	7	1,663	8
Denmark	1,374	9	1,436	8
UK	6,814	25	7,140	25
Switzerland	1,645	16	1,599	15
Germany	10,568	17	9,371	22
Netherlands	2,192	17	2,282	16
Belgium	1,973	29	2,073	28
Austria	1,756	12	1,774	12
Luxembourg	198	12	197	16
Finland	705	5	778	5
France	4,442	22	4,646	23
US	10,245	32	11,191	34
Spain	3,591	20	3,947	20
Poland	5,852	20	5,930	16
Czech Republic	969	13	1,075	13
Portugal	529	15	604	15
Italy	3,267	26	3,551	26
Canada	2,026	31	1,704	25
Slovenia	168	5	163	5
Ireland	361	18	388	16
Hungary	876	15	888	14
Slovakia	319	13	323	14
Greece	959	16	973	17
Mainland China	5,232	21	6,562	23
Hong Kong SAR	461	35	526	36
Japan	1,849	26	1,789	26
Russia[1]	249	39	3,861	23
South Korea	1,127	24	1,041	25
Türkiye	1,435	37	1,439	44
Romania	1,043	18	998	17
Croatia	274	6	283	8
Singapore	389	34	301	33
Bulgaria	335	15	298	20
Latvia	121	20	106	16
Malaysia	857	49	890	49
Mexico	2,100	47	1,908	47
Chile	1,851	41	2,070	42
Lithuania	216	9	210	7
Serbia	239	17	231	16
Estonia	197	6	199	5

Cont. Note 9. Average number of employees

	2023 TOTAL	MALE %	2022 TOTAL	MALE %
Australia	1,036	27	1,527	27
Philippines	743	47	712	50
Taiwan Region	280	29	285	28
Peru	713	45	682	47
Macao SAR	0	–	10	40
India	2,466	61	2,228	62
South Africa	1,043	36	1,019	43
Puerto Rico	58	34	62	39
Cyprus	54	33	59	27
New Zealand	251	28	216	28
Kazakhstan	359	30	272	31
Colombia	1,214	47	359	49
Iceland	77	17	79	15
Vietnam	362	43	378	43
Georgia	91	11	96	10
Ukraine	336	23	243	23
Uruguay	250	30	276	31
Bosnia-Herzegovina	41	10	40	8
Belarus[1]	21	24	42	26
North Macedonia	28	18	27	11
Ecuador	508	42	415	41
Kosovo	44	25	36	31
Albania	32	9	–	–
Other countries	512	74	604	61
Total	**101,103**	**26**	**106,522**	**25**

1) The business in Russia and Belarus were wound down during the 2022 financial year.

10. DEPRECIATION, AMORTISATION AND WRITE-DOWNS

When reporting impairment of assets, IAS 36 Impairment of Assets is applied.

Depreciation and amortisation have been calculated at 12.5 percent of cost for equipment and leasehold rights, and 20 percent for computer equipment and vehicles. Capitalised development expenditure is amortised at 10-20 percent of cost. Buildings are depreciated at 3 percent of cost. No depreciation is applied to land values. Depreciation and amortisation for the year are reported in the income statement in accordance with the table below.

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Cost of goods sold	2,111	1,709	–	–
Selling expenses	19,974	19,928	–	–
Administrative expenses	870	942	14	20
Total[1]	**22,955**	**22,579**	**14**	**20**

1) Of which write-downs and losses at disposals for the group of SEK m 770 (1,494) and SEK m 0 (0) for the parent company.

Depreciation relating to right-of-use assets is included above in the amount of SEK 13,117 m (12,105) for the group, which breaks down as follows: cost of goods sold SEK 1,107 m (810), selling expenses SEK 11,599 m (10,950) and administrative expenses SEK 411 m (345).

The carrying amount of property, plant and equipment including right-of-use assets is tested for impairment if there is an indicated need of impairment. If the carrying amount of an asset or a cash-generating unit, for which there is an indication of possible impairment, exceeds the recoverable amount (the higher of fair value less cost of disposal and the value in use) the carrying amount is reduced to the recoverable amount of the asset or cash-generating unit. Any impairment is recognised in profit/loss, mainly as selling expenses. The estimation of the recoverable amount is associated with assumptions about future cash flows and therefore certain uncertainty.

The general approach is that a grouping of stores, based on a significant degree of revenue substitution including an allocation of online sales, constitute a cash-generating unit and is assessed for impairment indicators. The approach to determining a cash-generating unit is based on the increasing omni presence and experience offering to the same customer base and resulting significant revenue substitution between the store and online sales channels as well as within certain groupings of stores.

Impairment of non-current assets as a result of impairment testing due to earnings performance amount to SEK 82 m (86) for equipment, tools, fixture and fittings and SEK 236 m (132) for right of use assets for 2023, excluding stores where a decision to close was taken prior to year-end, and is recognised mainly as selling expenses. The reversal of previous years impairment losses amounted during the period to SEK 11 m (115) and was classified as selling expenses as a result of improved earnings performance. The primary factor affecting the outcome of the impairment test is the underlying individual result of separate cash generating units. A sensitivity analysis considering a 20 percent reduction in earnings performance has been performed on both the assets that were impaired based on the impairment test as well as on the result of the impairment indicator test. The sensitivity analysis shows that no additional significant asset impairment is required.

An annual impairment test is made of the capitalised development expenditures regarding IT-related investments projects that are not yet ready for use and no impairment has been identified. Systems that are no longer in use with an original cost of SEK 281 m (155) have been written off entirely.

Intangible assets with an indefinite useful life, goodwill, are tested for impairment annually or more often if there is an indication of a decline in value to determine possible impairment. Goodwill is allocated to a cash-generating unit consisting of the operations conducted within the brands that were part of the acquisition where the goodwill arose. The value in use has been calculated based on discounted cash flows according to forecasts for the next five years and with an annual growth rate of 2 percent (2) in subsequent years. A discount rate of 11.5 percent (11.5) before tax was used. The cash flows are based on the H&M group's business plan. The growth rate of 2 percent (2) is based on the H&M group's assessment of the opportunities and risks associated with the business. The discount rate is based on a weighted average cost of capital that is estimated to be on a par with the external requirements that the market imposes for similar companies. The recoverable amount of goodwill can also be based on fair value in accordance to latest transaction (level 3) if a transaction has occurred recently.

The value in use for goodwill attributable to the Fabric Scandinavien AB acquisition has been calculated based on discounted cash flows. The recoverable amount for goodwill attributable to Sellhelp AB has been calculated to fair value where the price from the latest funding round per 29 September 2023 has been used as the valuation method, with a transactional price corresponding to SEK 9,078 per share. No need for impairment of goodwill has been identified for the financial year 2023.

11. AUDIT FEES

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Deloitte				
Statutory audit	59.6	54.9	11.9	14.0
Auditing other than statutory audit	7.9	4.2	–	–
Tax consultancy	3.8	1.0	–	–
Other consultancy	0.8	2.4	–	–
Other auditors				
Statutory audit	0.3	2.7	–	–
Total	**72.4**	**65.2**	**11.9**	**14.0**

12. TAX

When reporting taxes, IAS 12 Income Taxes is applied.

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

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

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

Global companies such as the H&M group are sometimes involved in tax proceedings of varying extent and at different stages. The H&M group continually evaluates tax proceedings in progress. Where it is likely that additional tax will have to be paid and the outcome can be reasonably estimated, the necessary reserve is made. As of the closing date, tax proceedings relating to internal pricing are in progress in some countries. The H&M group has made an assessment of the likely outcome and reserved the tax expense concerned. As of the closing date, this reserve totalled SEK 322 m (183). In this assessment, account has been taken, among other things, of whether agreements on double taxation exist and whether there are differences between the tax rates in different countries. The actual outcome may differ from the expected outcome and affect future financial statements.

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Tax expense (-) / tax receivable (+):				
Current tax				
Tax expense for the period	-3,706	-2,434	-112	-139
Adjusted tax expense for previous years	-799	-924	–	0
Subtotal	-4,505	-3,358	-112	-139
Deferred tax receivable (+) /tax expense (-) in respect of:				
Stock-in-trade	186	-156	–	–
Loss carryforwards in subsidiaries	197	19	–	–
Pension provisions	5	-30	-5	-10
Intangible non-current assets	219	173	–	–
Property, plant and equipment	405	804	–	–
Rent-related provisions	-323	-282	–	–
Other temporary differences	-558	300	–	–
Effect of changed tax rates	87	-120	–	–
Subtotal	218	708	-5	-10
Total	**-4,287**	**-2,650**	**-117**	**-149**
Deferred tax recognised in other comprehensive income in respect of:				
Hedging reserves	-85	87	–	–
Defined benefit pension plans	10	-9	–	-4
Total	**-75**	**78**	–	**-4**
Reconciliation between current tax rate and effective tax rate:				
Expected tax expense according to the Swedish tax rate of 20.6%	-2,680	-1,280	-2,448	-2,003
Difference in foreign tax rates	-658	-76	–	–
Non-deductible/non-taxable	-191	-228	21	-7
Other	-46	-22	–	–
Tax for previous years	-799	-924	–	–
Tax-free dividend subsidiaries	–	–	2,310	1,861
Effect of changed tax rates	87	-120	–	–
Total	**-4,287**	**-2,650**	**-117**	**-149**

Cont. Note 12. Tax

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Recognised deferred tax assets relate to:				
Stock-in-trade	434	386	–	–
Loss carryforwards in subsidiaries	271	98	–	–
Pension provisions	95	88	70	71
Intangible non-current assets	176	173	–	–
Property, plant and equipment	1,485	1,450	–	–
Rent-related provisions	1,493	1,866	–	–
Hedging reserves	48	121	–	–
Other temporary differences	1,705	2,355	–	–
Total	**5,707**	**6,537**	**70**	**71**
Recognised deferred tax liabilities relate to:				
Stock-in-trade	183	331		
Pension provisions	0	38		
Intangible non-current assets	888	982		
Property, plant and equipment	850	1,355		
Rent-related provisions	16	26		
Hedging reserves	270	168		
Other temporary differences	209	373		
Total	**2,416**	**3,273**		

As of the closing date, the group has no loss carryforwards that are not represented by recognised deferred tax assets. The portion of loss carryforwards with a limited utilisation period is not material.

13. NON-CONTROLLING INTERESTS

When reporting non-controlling interests, IFRS 10 Consolidated Financial Statements is applied.

Non-controlling interests consist of holdings representing a limited percentage of the shares and votes in a subsidiary, and the right to equity in the group's subsidiaries is consequently also limited. The portion of equity attributable to such shareholders is reported separately from equity attributable to the shareholders of H & M Hennes & Mauritz AB. Non-controlling interests are determined for each transaction either as a proportionate share of the fair value of identifiable net assets or at fair value.

The H&M group has two non-wholly owned subsidiaries, with Sellhelp AB being the largest; see note 29. In 2023 the profit attributable to non-controlling interests amounts to SEK -29 m (0) and the accumulated amount attributable to non-controlling interests within equity is SEK 82 m (0).

14. INTANGIBLE ASSETS

When reporting intangible assets, IAS 38 Intangible Assets is applied.

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

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

Capitalised development expenditure refers mainly to IT-related investments. Amortisation has commenced for those parts that were taken into use during 2014–2023, corresponding to around 98 percent (97) of the capitalised development expenditure.

Goodwill is the amount by which the cost of the subsidiary's shares exceeds the estimated value of the subsidiary's net identifiable assets upon acquisition. Goodwill on acquisition of subsidiaries is reported as an intangible asset. Any impairment is recognised in profit/loss.

For information about impairment, see note 10.

	GROUP	
	2023	2022
Brands		
Opening acquisition cost	–	–
Business combinations	500	–
Closing acquisition cost	500	–
Opening amortisation and write-downs	–	–
Amortisation for the year	-50	–
Closing accumulated amortisation and write-downs	-50	–
Closing book value	**450**	**–**
Leasehold and similar rights		
Opening cost	1,040	1,162
Acquisitions during the year	22	10
Sales/disposals	-35	-196
Translation effects	30	64
Closing cost	1,057	1,040
Opening amortisation and write-downs	-753	-794
Sales/disposals	32	194
Amortisation and write-downs for the year	-95	-110
Translation effects	-21	-43
Closing accumulated amortisation and write-downs	-837	-753
Closing book value	**220**	**287**

Cont. Note 14. Intangible assets

	GROUP	
	2023	2022
Opening value, projects in progress	18	5
Change for the year	-11	13
Translation effects	1	0
Closing value, projects in progress	8	18
Closing book value incl. projects	**228**	**305**
Adjustment in respect of IFRS 16[1]	68	-144
Total closing book value	**296**	**161**

1) See note 17.

	GROUP	
	2023	2022
Capitalised development expenditure		
Opening cost	15,004	13,696
Business combinations	166	–
Acquisitions during the year	967	1,463
Write-downs	-281	-155
Closing cost	15,856	15,004
Opening amortisation and write-downs	-6,073	-4,428
Business combinations	-6	–
Amortisation for the year	-1,962	-1,665
Write-downs	151	20
Closing accumulated amortisation and write-downs	-7,890	-6,073
Closing book value	**7,966**	**8,931**

	GROUP	
	2023	2022
Goodwill[2]		
Opening book value	64	64
Business combinations	949	–
Closing book value	**1,013**	**64**

2) Goodwill arose partly through the acquisition of the company FaBric Scandinavien AB during the period 2008-2010 and partly as a result of contractual changes of a shareholders' agreement in Sellhelp AB during 2023. For more information regarding cash-generating units pertaining to goodwill, see note 10.

15. BUILDINGS, LAND AND EQUIPMENT

When reporting tangible assets, IAS 16 Property, Plant and Equipment is applied.

Expenditure relating to property, plant and equipment is reported in the balance sheet if it is likely that the company will derive future financial benefits associated with the asset and if the asset's cost can be reliably calculated. Other expenditure as well as expenditure relating to ongoing maintenance and repair is reported as an expense in the period in which it arises. Property, plant and equipment are reported at cost less accumulated depreciation and any accumulated impairment. Depreciation is distributed on a straight-line basis over the assets' expected useful life. No depreciation is applied to land.

For further information on impairment, see note 10.
For right-of-use assets relating to leases, see note 17.

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Buildings				
Opening cost	1,238	1,156	235	235
Acquisitions during the year	–	–	–	–
Sales/disposals	-50	–	-50	–
Translation effects	53	82	–	–
Closing cost	1,241	1,238	185	235
Opening depreciation and write-downs	-666	-586	-121	-116
Sales/disposals	50	–	50	–
Depreciation for the year	-36	-34	-5	-5
Translation effects	-31	-46	–	–
Closing accumulated depreciation and write-downs	-683	-666	-76	-121
Closing book value	**558**	**572**	**109**	**114**
Land				
Opening cost	125	154	7	7
Acquisitions during the year	–	–	–	–
Sales/disposals	–	-42	–	–
Translation effects	6	13	–	–
Closing cost	**131**	**125**	**7**	**7**
Equipment				
Opening cost	65,219	66,288	178	178
Business combinations	29	–	–	–
Acquisitions during the year	5,521	3,912	3	0
Sales/disposals	-1,997	-11,469	–	–
Translation effects	837	6,488	–	–
Closing cost	69,610	65,219	181	178
Opening depreciation and write-downs	-43,048	-41,248	-145	-130
Business combinations	-10	–	–	–
Sales/disposals	1,509	10,157	–	–
Write-downs for the year	-23	-215[1]	–	–
Depreciation for the year	-7,039	-7,472	-12	-15
Translation effects	-423	-4,271	–	–
Closing accumulated depreciation and write-downs	-49,035	-43,048	-157	-145
Closing book value	20,575	22,171	24	33

Cont. Note 15. Buildings, land and equipment

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Opening value, projects in progress	1,564	812	3	–
Business combinations	0	–	–	–
Change for the year	2,380	659	-3	3
Translation effects	33	93	–	–
Closing value, projects in progress	3,978	1,564	–	3
Total closing book value	**24,553**	**23,734**	**24**	**36**

1) Including reclassification of SEK -244 m from short-term liabilities.

16. INTERESTS IN ASSOCIATES AND JOINT VENTURES

When reporting shares in associated companies and joint ventures, IAS 28 Investments in Associates and Joint Ventures is applied.

Companies where the group has significant interest, generally companies where the group holds 20 and 50 percent of the votes, are considered associated companies. Companies in which the group has joint controlling interest together with one or more external parties are classified as joint ventures. Shares in associated companies and joint ventures are reported in accordance with the equity method, which means that the H&M group's share of the companies' profit/loss is reported as Result from investments in associated companies and joint ventures in the group income statement.

	GROUP	
	2023	2022
Joint ventures		
Opening balance	–	–
New investments	59	–
Share of result	-9	–
Closing balance	**50**	**–**

	GROUP	
	2023	2022
Associated companies		
Opening balance	503	686
New investments	53	114
Reclassification to subsidiary	-269	-28
Sales/disposals	0	–
Write-downs	-106	-176
Share of result	-21	-93
Closing balance	**159**	**503**

2023	CORPORATE ID NUMBER	DOMICILE	SHARE %	SHARE OF RESULT, SEK M
Joint ventures				
Looper Textile Co. Global AB	559417-7841	Stockholm	50.0	2
HMVX AB	559421-7969	Stockholm	49.7	-11
Associated companies				
TreeToTextile AB	556989-2648	Stockholm	29.2	-19
CALA Inc		USA	0.0	-2

2022	CORPORATE ID NUMBER	DOMICILE	SHARE %	SHARE OF RESULT, SEK M
Associated companies				
Sellhelp AB[1]	556996-1260	Stockholm	79.8	-19
TreeToTextile AB	556989-2648	Stockholm	28.9	-13
Worn Again Technologies Ltd[2]		UK	27.6	-8
Thread Inc[3]		US	23.5	-19
CALA Inc[1]		US	82.4	-34

1) H&M Group's holdings in Sellhelp AB and CALA Inc did not constitute a controlling interest for 2022.
2) Reclassified to other shares and interests 23 September 2022.
3) Written down 30 November 2022.

17. LEASES

When reporting leasing contracts, IFRS 16 Leases is applied.

The leases are recognised as a right-of-use asset and a lease liability based on the present value of all future lease payments until the lease expires. The majority of the contracts that the H&M group classifies as leases relate to the leasing of retail premises where the H&M group conducts its own operations. Offices and warehouses for the Group's own use are also classified as leases. The lease liability is initially measured at the present value of the future lease payments discounted by the implied interest rate and the subsequent period by increasing the lease liability to reflect the effect of interest and reducing it to reflect the effect of lease payments paid. The right-of-use asset is initially recognised at the value of the lease liability and in the subsequent period at cost less depreciation over the lease period and any impairment losses. In accordance with the standard the calculation of lease liabilities is based on fixed lease payments. Variable lease payments that are not due to an index or an interest rate, such as revenue-based rent and property tax, are not included in the lease liability. The H&M group has chosen to apply the possibility to exclude low-value leases and leases with a lease term of less than 12 months. This means that these will not be included in the lease liability but will continue to be recognised as rental expenses with straight-line expensing over the lease term. The company has no sale and leaseback transaction. Some contracts contain conditions for the restoration of premises, this does not give any significant outcome for the group.

The H&M group has around 4,369 stores as well as multiple offices and warehouses worldwide. The application of the standard has required assessments and assumptions, such as the determination of the lease term and interest rate. The assumption that has the greatest effect on

Cont. Note 17. Leases

the valuation of lease liabilities and right-of-use assets is the assessment of the lease term. The lease term includes the non-cancellable period. When a lease period expires, a contract can be entirely terminated, renegotiated, or extended depending on the form of lease. The right to terminate contract early reduces the lease term used in the calculation under certain conditions. The possibility of extension is taken into account if the lessee is reasonably certain to make use of that option. It is rare for contracts to be terminated before the end of lease period. In order to facilitate the assessment of the lease period used to calculate the lease obligation, assumptions based on contract type have been made. The assumptions for determining the lease term for each contract type are based on the best possible assessment and are based on historical data and the prevailing market situation. The lease term for stores is based on store class and location. Flagship stores in strategic locations have a lease term set on the end date of the lease regardless of breakage clauses. For all other store classes, the H&M group uses the first break right regardless of the contract length. Non-flagship stores have an average lease term of 3,5 years. The calculation for the lease period of warehouses and offices is based on the contract length. The assumptions for the group are evaluated on an ongoing basis considering changes in the industry. The discount rate used in the calculation corresponds to H&M group's marginal borrowing rate, considering aspects such as currency and length of respective lease. The interest rate is updated annually and monitored continuously throughout the year. The marginal borrowing rate reflect H&M group's credit risk.

For further information on impairment, see note 10 and 14.

The group is reporting a cash outflow for leases of SEK 12,867 m (12,139) for the 2023 financial year.

Covid-19
The H&M group has chosen not to apply the amendment to IFRS 16 that allows relief for rent concessions attributable to Covid-19.

The amounts attributable to leasing activities that were recognised in the income statement during the year are presented below:

	GROUP	
SEK M	2023	2022
Depreciation of right-of-use assets	12,877	11,838
Write-down of right-of-use assets	276	307
Interest expense for lease liabilities	1,744	872
Expense for variable lease payments	7,158	6,938
Other miscellaneous lease related charges	1,218	3,273
Total expense attributable to leasing activities	**23,273**	**23,228**

The group divides its leases into three classes of right-of-use asset: Stores, Warehouses and Offices. The following table presents the closing balances for right-of-use assets and lease liabilities along with changes during the year.

	RIGHT-OF-USE ASSETS				
SEK M	STORES	WARE-HOUSES	OFFICES	TOTAL	LEASE LIABILITY
Opening balance 1 Dec 2022	**51,065**	**4,532**	**2,708**	**58,305**	**61,857**
Gross increase during the period	8,725	1,179	897	10,801	11,947
Depreciation of right-of use-assets	-11,030	-984	-863	-12,877	
Write-down of right-of-use assets	-276	–	–	-276	
Translation differences	636	100	20	755	797
Interest expense for lease liability					1,744
Lease payments					-15,458
Closing balance 30 Nov 2023	**49,120**	**4,826**	**2,762**	**56,708**	**60,888**

	RIGHT-OF-USE ASSETS				
SEK M	STORES	WARE-HOUSES	OFFICES	TOTAL	LEASE LIABILITY
Opening balance 1 Dec 2021	**46,481**	**3,973**	**2,631**	**53,085**	**57,076**
Gross increase during the period	11,223	906	726	12,855	12,558
Depreciation of right-of use-assets	-10,399	-681	-758	-11,838	
Write-down of right-of-use assets	-307	–	–	-307	
Translation differences	4,067	334	109	4,510	4,895
Interest expense for lease liability					872
Lease payments					-13,545
Closing balance 30 Nov 2022	**51,065**	**4,532**	**2,708**	**58,305**	**61,857**

A maturity analysis of the group's lease liabilities included in IFRS 16 as of 30 November 2023 is presented below.

	GROUP	
RENTAL COMMITMENTS SEK M	2023	2022
In next 12 months	12,159	12,575
In next one to three years	18,361	17,349
In next three to five years	10,222	9,940
More than five years ahead	20,146	21,993
Total	**60,888**	**61,857**

18. STOCK-IN-TRADE

When reporting stock-in-trade, IAS 2 Inventories is applied.

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

For the majority of the group's goods, cost is calculated as weighted average prices. For the remaining stock accounting, the carrying amount is calculated as the selling price less the estimated gross margin (the retail method) or to cost for time spent and other cost for handling goods that are or will be available for sale. The group is continuing to gradually move across to calculating cost as weighted average prices, but this change has no material impact on the consolidated financial statements.

Stock-in-trade amounted to SEK 37,358 m (42,495), a 12 percent decrease in SEK compared with the same point in time last year. In local currencies there was a 13 percent decrease.

Estimations are made to value the stock-in-trade to net realisable value, to assess potential need for write-down. Significant write-downs are rare and there were no material write-downs in the current financial year or the previous financial year. Only an insignificant part of the stock-in-trade is valued at net realisable value. There is deemed to be no material obsolescence in the stock-in-trade. Estimations and assumptions are made based on historical data to determine future value of returns. The group's asset for rights of return does not increase stock-in-trade by a material amount.

The stock-in-trade amounted to 20.6 percent (23.3) of total assets and 15.8 percent (19.0) of net sales.

19. PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Prepaid rent	2,952	2,890	–	–
Other items	1,579	1,604	139	451
Total	**4,531**	**4,494**	**139**	**451**

20. CASH AND CASH EQUIVALENTS

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

H&M Group has made the assessment that the loss allowance for expected credit losses as of the closing day does not amount to a significant value and has therefore not been recognised.

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Cash and bank balances	25,632	19,661	2	2
Short-term investments, 0–3 months	766	2,046	–	–
Total	**26,398**	**21,707**	**2**	**2**

Investments are made on market terms and the interest rates are between 0 and 40.5 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

21. SHARE CAPITAL

The share capital is per 30 November 2023 divided between 194,400,000 class A shares (10 votes per share) and 1,435,286,837 class B shares (one vote per share). There are no other differences between the rights associated with the shares. The total number of shares is 1,629,686,837.

Following implementation of the resolution passed by the annual general meeting on 4 May 2023 the 25,385,163 class B treasury shares repurchased during 2022 as part of the H&M group's buyback programme were cancelled.

The board of directors decided to utilise the authorisation granted by the 2023 annual general meeting and in September 2023 began a SEK 3 billion share buyback programme. As at 30 November 2023 a total of 7,138,790 B shares in H&M had been repurchased for a sum of SEK 1,123 m and the programme was completed on 1 March 2024. It is intended that the shares repurchased will be cancelled through a resolution at the 2024 annual general meeting. As at 30 November the number of shares outstanding, excluding own shares, is 1,622,548,047. In the 2023 financial year a dividend of SEK 10,577 m was distributed.

The group's managed capital consists of shareholders' equity. The board of directors' intention is for the H&M group to continue to provide shareholders with a good return while ensuring that growth and investments in the business can proceed with a continued strong financial position and freedom of action. Based on this, the board of directors has proposed a dividend policy stating that the ordinary dividend over time is to exceed 50 percent of profit after tax and additionally that identified surplus liquidity – taking into consideration the capital structure target and investment requirements – can be distributed to shareholders through an extra dividend or a buyback programme.

22. PROVISIONS FOR PENSIONS

When reporting pensions, IAS 19 Employee benefits is applied.

The H&M group has several different plans for benefits after employment has ended. The plans are either defined benefit or defined contribution plans. Defined contribution plans are reported as an expense in the period when the employee performs the service to which the benefit relates. Defined benefit plans are assessed separately for each plan based on the benefits earned during the previous and current periods. The defined benefit obligations less the fair value of any managed assets are reported under the heading Provisions for pensions. In the case of the Swedish entities, the actuarial calculations also cover future payments of special payroll tax. Defined benefit plans are found in Switzerland, Spain, Sweden and Germany.

Pension obligations are assessed annually with the help of independent actuaries according to the Projected Unit Credit Method. The assessment is made using actuarial assumptions. These assumptions include such things as the discount rate, mortality, anticipated salary increases and pension increases (inflation). Changes in the actuarial assumptions and outcomes that deviate from the assumptions give rise to actuarial gains or losses. The actuarial gains and losses arising are mainly due to the financial assumptions, such as changes in the discount rate. Such gains or losses are recognised in other comprehensive income in the year they arise.

For salaried employees in Sweden, the H&M group applies the ITP plan through insurance policies with Alecta and Collectum, i.e. ITP 2 and ITP 1. According to statement UFR 10 from the Swedish Financial Reporting Board, the ITP 2 plan is a defined benefit plan that covers a number of employers. The plan will be reported as a defined contribution plan until the company gains access to information that allows this plan to be reported according to the rules for defined benefit plans. The expected contributions to ITP 2 for the next annual reporting period are estimated at SEK 189 (202) m. The ITP 1 plan is a defined contribution plan. See also note 8 for information on pension to a former CEO.

Alecta's surplus cannot be allocated to the insured employer and/or the insured employees. As of 30 September 2023, Alecta's consolidation ratio was 178 percent (189). The consolidation ratio is calculated as the fair value of managed assets as a percentage of the obligations calculated in accordance with Alecta's actuarial assumptions. This calculation is not in line with IAS 19.

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Present value of defined benefit obligations	1,912	1,736	126	119
Fair value of managed assets	-1,533	-1,403	-3	-3
Provisions for pension obligations recognised in the balance sheet	**379**	**333**	**123**	**116**
Opening balance 1 December	1,736	1,794	119	154
Recognised pension expenses, net	293	4	19	-19
Pensions paid out	-16	-18	-12	-10
Contributions by plan participants	41	31	–	–
Disbursements from assets	-142	-75	–	-6
Carrying amount of defined benefit obligations, 30 November	**1,912**	**1,736**	**126**	**119**
Opening balance 1 December	-1,403	-1,366	-3	-10
Recognised pension income, net	-175	-37	0	1
Premiums paid by employer	-57	-44	–	–
Contributions by plan participants	-41	-31	–	–
Disbursements	143	75	–	6
Carrying amount of fair value of plan assets, 30 November	**-1,533**	**-1,403**	**-3**	**-3**

Of the total recognised obligation, SEK 139 m (131) relates to defined benefit pensions plans in Sweden and SEK 202 m (163) to plans in Switzerland. The weighted average maturity of these pension plans is 7.1 years for the Swedish plans and 13.3 years for the Swiss plans.

Cont. Note 22. Provisions for pensions

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
The amounts recognised as pension expenses comprise the following items:				
Current service cost	59	60	–	–
Interest expense	37	9	5	2
Interest income	-28	-6	0	0
Reductions/adjustments gains (-) and losses (+)	0	-17	–	–
Past service cost	-4	-42	–	–
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	13	18	–	–
Pension expenses recognised in the income statement	**77**	**22**	**5**	**2**
Pension expenses recognised in other comprehensive income				
Return on plan assets	-44	119	0	1
Actuarial gains/losses demographic assumptions liability	2	-5	2	-5
Actuarial gains/losses financial assumptions liability	91	-235	0	-23
Actuarial gains/losses experience liability	-8	66	12	7
Actuarial gains (-) and losses (+)	**41**	**-55**	**14**	**-20**
Total recognised pension expenses	**118**	**-33**	**19**	**-18**

The cost of defined contribution pension plans amounts to SEK 659 m (868).
Next year's expected payments for defined benefit pension plans amount to SEK 45 (41) m.

Significant actuarial assumptions on the balance sheet date (weighted average amounts)				
Discount rate	1.93%	2.17%	3.75%	4.00%
Future salary increases	2.01%	2.01%	3.00%	3.25%
Future pensions increases (inflation)	0.16%	0.20%	2.00%	2.25%

The mortality assumptions for Sweden are based on the mortality table DUS23, which is the latest mortality review published by Insurance Sweden. For the other plans the representative mortality tables based on local market practice have been used.

A 0.5 percentage point reduction in the discount rate would increase the liability for the Swedish commitments by SEK 4.9 m (5.3).

23. OTHER PROVISIONS

When reporting other provisions, IAS 37 Provisions, Contingent Liabilities and Contingent Assets is applied.

Provisions are recognised in the balance sheet when there is a commitment resulting from a past event and it is likely that an outflow of resources will be required to settle the commitment, and a reliable estimate of the amount can be made. Provisions for restructuring expenses are recognised when a restructuring plan has been established and the restructuring has commenced or been announced.

In calculating provisions, the H&M group makes estimates and judgements of the amounts and timing of resource outflows based on conditions as of the balance sheet date. Amounts and timing may vary depending on factors such as employee termination conditions and the actual outcome of negotiations with trade unions. The uncertainty in the group's estimates means that the difference between expected and actual outcomes can have a material impact on the financial statements.

The group has provisions for restructuring as outlined below:

	GROUP	
	2023	2022
Opening balance	836	–
New provisions	361	836
Utilisation of provisions	-199	–
Reversal of provisions	-689	–
Closing balance	**309**	**836**

24. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

When reporting financial instruments, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, and IFRS 13 Fair Value Measurement are applied.

Financial instruments recognised in the balance sheet include on the assets side cash and cash equivalents, accounts receivable, short-term investments, non-current receivables, and derivatives. On the liabilities side are accounts payable, liabilities to credit institutions and derivatives. Financial instruments are reported in the balance sheet when the group becomes party to the contractual terms of the instrument. Financial assets are removed from the balance sheet when the contractual rights to the cash flows from the asset cease. Financial liabilities are removed from the balance sheet when the obligation is met, cancelled, or ends. For lease liabilities see note 17.

Financial instruments are measured based on inputs classified as below:

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

	FINANCIAL ASSETS AND LIABILITIES HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		FINANCIAL ASSETS HELD AT AMORTISED COST		FINANCIAL LIABILITIES HELD AT AMORTISED COST		DERIVATIVES WITH HEDGE ACCOUNTING		TOTAL BOOK VALUE	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Other non-current receivables	–	–	1,204	939			–	–	1,204	939
Accounts receivable	–	–	3,301	3,014			–	–	3,301	3,014
Currency futures contract with hedge accounting	–	–	–	–			1,089	681	1,089	681
Interest rate swap – hedging of fair value through income statement	–	–	–	–			232	–	232	–
Other shares and interests	2,363	2,654	–	–			–	–	2,363	2,654
Cash and cash equivalents	–	–	26,398	21,707			–	–	26,398	21,707
Total financial assets	**2,363**	**2,654**	**30,903**	**25,660**			**1,321**	**681**	**34,587**	**28,995**
Accounts payable					21,027	21,090	–	–	21,027	21,090
Liabilities to credit institutions					17,082	10,778	–	–	17,082	10,778
Other long-term liabilities					132	183	–	–	132	183
Currency futures contract with hedge accounting					–	–	1,205	1,365	1,205	1,365
Interest rate swap – hedging of fair value through income statement					–	–	–	–	–	–
Total financial liabilities					**38,241**	**32,051**	**1,205**	**1,365**	**39,446**	**33,416**

	FINANCIAL ASSETS AND LIABILITIES HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		FINANCIAL ASSETS HELD AT AMORTISED COST		FINANCIAL LIABILITIES HELD AT AMORTISED COST		DERIVATIVES WITH HEDGE ACCOUNTING		TOTAL BOOK VALUE	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Interest income and similar items	–	–	616	162	–	–	–	–	616	162
Interest expense and similar items	–	–	–	–	399	243	–	–	399	243

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

Cont. Note 24. Financial assets and liabilities by category

Financial assets at fair value through other comprehensive income
In view of the strategic nature of the interests, assets in this category consist of non-controlling interests that are revalued in other comprehensive income as well as in financial assets in the balance sheet. The valuation of the holding in Renewcell is based on the share price on the closing day (level 1), and the fair value of the investment amounts to SEK 34 m (242) as of 30 November 2023.

The valuation of the remaining other shares and interests is in the first instance based on prices from prior transactions. The price from the latest financing round or transaction is assessed to represent fair value of investments as transactions have been made between independent parties. The fair value measurement based on prior transactions is kept unchanged for a period of up to 12 months unless there is cause for a revaluation due to material changes in external market factors or company-specific factors. When the most recent transaction in any holding exceeds 12 months, or when there is cause for a revaluation due to material changes in external market factors or company-specific factors, the financial asset is measured through either:

Applying relevant valuation multiples from similar companies to the holding's key ratios, similar transactions in the industry, or the discounted cash flow method (DCF) where there is significant company specific data to make such an assessment.

In certain early-stage holdings, where there is no significant revenue or sufficient financial data to base the valuation on, the fair value measurement is instead determined based on an assessment of the latest transaction price and a milestone approach where developments in the company are evaluated against budget or similar companies, at a similar stage, with a similar risk-profile and transactions in such companies.

The following valuation techniques and unobservable input have been used to determine fair value of investments in level 3:

2023	2022	VALUATION TECHNIQUE	INPUT	RANGE 2023	RANGE 2022
2,043	2,412	Price from latest financing round	n.a.	n.a.	n.a.
257	–	Comparable companies	Sales multiples	0.7-6.8	–
29	–	Discounted cash flow	Market interest rate	n.a.	n.a

A change of 10 percent of the multiples would have an impact on the investments of SEK 25.7 m (0).

The fair value of the remaining shares and interests amounts to SEK 2,329 m (2,412) as of 30 November 2023, the largest investments being Sheertex SEK 619 m (526), Klarna SEK 548 m (456), and Infinited Fiber Company SEK 210 m (10).

RECONCILIATION OF INVESTMENTS BASED ON LEVEL 3 INPUT	2023	2022
Opening balance	2,412	3,623
Additions	285	816
Disposals	0	-25
Write-downs	-137	–
Reclassification[1]	–	28
Gain or loss recognised in Other comprehensive income[2]	-231	-2,030
Closing balance	**2,329**	**2,412**

1) Reclassification refers to investment in Worn Again being reclassified to non-controlling interest in 2022.
2) The effect on Other comprehensive income for 2022 consists primarily of the loss recognised on the Klarna investment of SEK -2,482 m. The valuation is based on an indicative subscription price from a transaction in July 2022.

Financial assets measured at amortised cost
Assets in this category are measured at amortised cost, with the effective interest rate being used to calculate the value. These assets are held under the business model for collection of contractual cash flows that represent solely payments of principal and interest. The carrying amount of assets measured at amortised cost is adjusted by any expected credit loss allowance recognised. This category primarily covers cash and bank balances as well as accounts receivable. The group's own credit operations were phased out and are now managed through collaboration with an external party. As of the closing date, all of the group's short-term investments fell into this category.

Recognition of expected credit losses
The group will recognise a loss allowance for expected credit losses on financial assets measured at amortised cost. As of the closing day, an adjustment of the loss allowance will be recognised in profit or loss. The group will measure the loss allowance at an amount equal to 12 months expected credit losses. If the credit risk of a financial asset has increased significantly since the initial recognition, the loss allowance will be measured at an amount equal to the lifetime expected credit losses. Cash and cash equivalents are assessed to have a low credit risk. For accounts receivables, the group will apply the simplified approach which means that the loss allowance will be measured at an amount equal to lifetime expected credit losses. The loss allowance for expected credit losses as of the closing day does not amount to a significant amount and has therefore not been recognised.

Financial liabilities at fair value through profit or loss
Liabilities are included in this category if they are not measured at amortised cost or fair value through other comprehensive income. These financial liabilities are initially and subsequently measured at fair value through profit or loss.

Financial liabilities measured at amortised cost
This category includes financial liabilities that are not held for trading. These are initially recognised at fair value, net after transaction costs, and subsequently at amortised cost using the effective interest method, which means that the estimated change in value (the effective interest) is recognised as interest income or interest expense in the income statement. Accounts payable fall into this category. These have a short expected term and are recognised at the nominal amount with no discounting. Liabilities to credit institutions are measured at amortised cost. All of the liabilities stated under financial liabilities are measured at amortised cost. A calculation at fair value would reduce the group's liabilities to credit institutions by approximately SEK 1,100 m. The reduction is due to a general increase in interest rates since liabilities were issued.

Cont. Note 24. Financial assets and liabilities by category

Derivatives with hedge accounting
All derivatives are reported initially and subsequently at fair value through other comprehensive income. The group's policy is for derivatives to be held for hedging purposes only. Derivatives comprise forward currency contracts used to hedge the risk of exchange rate fluctuations for internal and external flows of goods. To meet the requirements of hedge accounting there must be a clear link to the hedged item. In addition, the hedge must effectively protect the hedged item, hedge documentation must have been prepared and the effectiveness must be measurable.

Currency derivatives are measured at fair value based on Level 2 inputs in the fair value hierarchy. As of 30 November 2023, forward contracts with a positive market value amount to SEK 1,089 m (681), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 1,205 m (1,365), which is reported under other current liabilities. Of the outstanding forward contracts, gains of SEK 115 m (-305) were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK 232 m (379) is included in the hedging reserve in equity. Other financial assets and liabilities have short terms. The fair values of these financial instruments are assessed to be approximately equal to their book values.

In hedge accounting, derivatives are classified as cash flow hedging or as fair value hedging. In 2022 all were categorised as cash flow hedging or hedging of net investments in foreign operations. In 2023, an interest rate swap (fair value hedge) was added.

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

The fair value of forward exchange contracts is calculated by discounting the difference between the agreed forward rate and the forward rate that can be obtained on the closing date for the remaining contract term. Contracts are discounted to a risk-free rate based on government bonds.

Hedging of net investments in foreign operations
Derivatives intended for hedging net investments in foreign operations are recognised at fair value through other comprehensive income. The effectiveness of hedging of net investments in foreign operations is measured quarterly by comparing the hedged item with the hedging instrument. As of the closing day, loans in EUR taken out to hedge net investments in foreign operations amount to EUR 700 m (700). A change of 10 percent in the EUR/SEK exchange rate would have an impact on other comprehensive income of SEK 795 m (764).

Hedging of interest rate exposure
During 2023, the group has entered into an interest rate swap to achieve the desired fixed interest rate. As of 30 November 2023, the nominal amount for outstanding interest rate swap agreements amounted to SEK 5,679 m (0). The interest rate swap is reported as a fair value hedge through the income statement. Changes in the fair value of the swap are reported in the income statement together with changes in the fair value of the hedged debt attributable to the hedged risk. The valuation is based on forward interest rates derived from observable interest rate curves and discounting of the contractual cash flows (corresponding to level 2 input).

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

The following table shows the outstanding forward contracts for cash flow hedging reported in the hedging reserve as of the closing date.

	BOOK VALUE AND FAIR VALUE, SEK		NOMINAL AMOUNT, SEK	
SELL/BUY	2023	2022	2023	2022
NOK/SEK	19	-3	495	728
GBP/SEK	56	-46	2,270	3,063
DKK/SEK	18	-14	606	857
CHF/SEK	18	-11	610	887
EUR/SEK	319	-212	10,866	14,153
PLN/SEK	-8	-39	1,079	875
USD/SEK	233	12	5,758	7,116
CAD/SEK	36	31	818	1,191
JPY/SEK	24	-3	447	699
HKD/SEK	3	0	74	64
RON/SEK	12	-15	426	547
CZK/SEK	6	-11	255	351
HUF/SEK	2	-10	327	325
AUD/SEK	7	1	315	400
CNH/SEK	9	18	335	719
RUB/SEK	0	0	0	0
TRY/SEK	0	-11	3	216
MXN/SEK	27	-62	1,200	1,060
SEK/USD	-949	-40	24,424	25,924
SEK/EUR	-63	34	2,484	2,241
Subtotal	**-232**	**-379**	**52,792**	**61,416**

Cont. Note 24. Financial assets and liabilities by category

Maturity structure for hedging instruments:

2023	0-3 M	3-6 M	6-9 M	9-12 M	1-4 Y	4-8 Y	TOTAL NOMINAL AMOUNT
Currency derivatives with hedge accounting – inflows	11,437	12,421	2,023	–	–	–	25,881
Currency derivatives with hedge accounting – outflows	15,024	11,208	664	12	–	–	26,908
Interest rate swap – hedging of fair value through income statement	–	–	–	–	–	5,679	5,679
Hedging of net investment – loans in foreign currency	2,272	–	–	–	–	5,679	7,950

Converted to SEK m at the exchange rate on the balance sheet date

25. ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2023	2022	2023	2022
Holiday pay liability	1,654	1,618	–	–
Social security costs	1,217	1,030	41	34
Payroll liability	2,447	1,967	1	1
Costs relating to premises	6,403	9,196	–	–
Other accrued overheads	11,011	11,238	93	141
Total	**22,733**	**25,050**	**135**	**176**

26. RELATED PARTY DISCLOSURES

When reporting related parties, IAS 24 Related Party Disclosures is applied.

The H&M Group's related parties are Ramsbury Invest AB, formally the parent company of H & M Hennes & Mauritz AB, its associates and joint ventures, as well as its board members and members of group management. For transactions with board members, see note 8.

Ramsbury Invest AB is owned by Stefan Persson and family. The H&M group leases the following store premises in properties directly or indirectly owned by the Stefan Persson family and related companies: Drottninggatan in Stockholm, Kungsgatan and Östra Hamngatan in Gothenburg, Stadt Hamburgsgatan in Malmö, Amagertorv in Copenhagen, Oxford Circus and Regent Street in London, Kaufingerstrasse in Munich, Via del Corso/Via Tomacelli in Rome, Wisconsin Avenue in Washington DC and, since January 2008, premises for H&M's head office in Stockholm. Rent is paid at market rates, and rental costs and other property-related expenses totaled SEK 678 m (583) for the financial year. Outstanding balances in the form of prepaid rent amount to SEK 70 m (0) and lease liabilities amount to SEK 2,246 m (2,288) as of 30 November 2023.

Transactions with associates took place on market terms and amounted to SEK 0 m (122) for the financial year. Outstanding balances with associates amount to SEK 0 m (27) as of 30 November 2023. For 2022, amounts for transactions and outstanding balances with associates primarily relates to Sellhelp AB, which this year is classified as a subsidiary. Transactions with joint ventures took place on market terms and amounted to SEK -1 m (0) for the financial year. Outstanding balances with joint ventures amount to SEK -1 m (0) as of 30 November 2023.

Ramsbury Invest AB, the principal shareholder in H & M Hennes & Mauritz AB, did in 2020 issue 300,000 call options to Helena Helmersson, the H&M group's former CEO. The options are issued on market terms and are based on an independent third-party valuation using the Black & Scholes model. The options issued have no dilution effect for H&M shareholders and no cost to the H&M group since the transaction is against Ramsbury Invest AB's existing shareholding. Each option provides the right to buy one class B share in H&M at a strike price of SEK 202.48 per share and may be exercised during a 12 month period beginning three years after the agreement date. Helena Helmersson is paying a premium of SEK 12.34 per option to the issuer Ramsbury Invest.

27. INTEREST-BEARING LIABILITIES

When reporting financial instruments, IFRS 9 Financial Instruments is applied.

	GROUP				PARENT COMPANY			
2023	INTEREST RATE % 30 NOV	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS	INTEREST RATE % 30 NOV	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS
2023	4.507	–	–	2,272	4.507	–	–	2,068
2024	4.363-12.25	625	–	339	4.363-4.389	625	–	–
2025	0	–	–	–	0	–	–	–
2026	1.7	–	–	2,000	1.7	–	–	2,000
2027	0	–	–	–	0	–	–	–
2028	16.33	–	–	260	0	–	–	–
2029	0.25	–	5,679	–	0.25	–	5,165	–
2030	0	–	–	–	0	–	–	–
2031	4.875	–	5,907	–	4.875	–	5,907	–
		625	**11,586**	**4,871**		**625**	**11,072**	**4,068**

	GROUP				PARENT COMPANY			
2022	INTEREST RATE % 30 NOV	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS	INTEREST RATE % 30 NOV	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS
2022	1.9–2	350	–	0	1.9-2	350	–	–
2023	0.784-26	600	–	2,369	0.784-2.61	600	–	2,068
2024	0	–	–	–	0	–	–	–
2025	0	–	–	–	0	–	–	–
2026	1.7	–	–	2,000	1.7	–	–	2,000
2027	0	–	–	–	0	–	–	–
2028	0	–	–	–	0	–	–	–
2029	0.25	–	5,459	–	0.25	–	5,165	–
		950	**5,459**	**4,369**		**950**	**5,165**	**4,068**

In the group, loans in other currencies are remeasured at the exchange rate on the balance sheet date. In the parent company, these loans in respect of net investments in foreign operations are reported at original book value.

		CASH FLOW	NON CASH FLOW		
	2022	NEW DEBT AND AMORTISATION	FOREIGN EXCHANGE	ACQUISITIONS	2023
Loans from credit institutions	4,369	427	75	–	4,871
Commercial paper	950	-325	–	–	625
Bond	5,459	5,802	325	–	11,586
Total liabilities from financing activities	**10,778**	**5,904**	**400**	**–**	**17,082**

	2021	NEW DEBT AND AMORTISATION	FOREIGN EXCHANGE	ACQUISITIONS	2022
Loans from credit institutions	4,213	–	156	–	4,369
Commercial paper	275	675	–	–	950
Bond	5,127	–	332	–	5,459
Total liabilities from financing activities	**9,615**	**675**	**488**	**–**	**10,778**

As of 30 November 2023 the group had non-current lease liabilities of SEK 48,729 m (49,282) and current lease liabilities of SEK 12,159 m (12,575), which are reported in note 17.

28. APPROPRIATIONS

	PARENT COMPANY	
	2023	2022
Group contributions paid	-1,500	-3,150
Depreciation in excess of plan	4	11
Total	**-1,496**	**-3,193**

29. INTERESTS IN GROUP COMPANIES

Parent company shareholding

2023	CORPORATE ID NUMBER	NO. OF SHARES	BOOK VALUE	DOMICILE
H & M Hennes & Mauritz Sverige AB	556151-2376	1,250	200.1	Stockholm
All in Equestrian AIE AB	556023-1663	1,150	30.6	Stockholm
H & M Hennes & Mauritz GBC AB	556070-1715	2,379	563.3	Stockholm
H & M Hennes & Mauritz International B.V.		40	0.1	Netherlands
H & M Hennes & Mauritz India Private Ltd		8,650,000	12.5	India
H & M Hennes & Mauritz Japan KK		99	11.7	Japan
H & M Hennes & Mauritz International AB	556782-4890	1,000	0.1	Stockholm
H & M Fashion AB	556922-7878	50,001	300.1	Stockholm
H & M Finance AB	559159-7090	50,000	0.1	Stockholm
Store Lens AB	559274-6936	25,000	0.0	Stockholm
H & M Finance BV		50,000	0.5	Netherlands
Total			**1,119.1**	

Subsidiaries' holdings

Wholly owned companies.

2023	CORPORATE ID NO	DOMICILE
H & M Hennes & Mauritz AS		Norway
H & M Hennes & Mauritz A/S		Denmark
H & M Hennes & Mauritz UK Ltd		UK
H & M Hennes & Mauritz UK Services Ltd		UK
H & M Hennes & Mauritz AG		Switzerland
H & M Hennes & Mauritz B.V. & Co. KG		Germany
Impuls GmbH		Germany
H & M Hennes & Mauritz Logistik AB Co. KG		Germany
& Other Stories AB & Co. KG Germany		Germany
H & M New Business AB & Co. KG Germany		Germany
H & M Services Germany AB & Co. KG		Germany
Sellhelp GmbH		Germany
H & M Hennes & Mauritz Holding B.V.		Netherlands
H & M Hennes & Mauritz Netherlands B.V.		Netherlands
H & M Hennes & Mauritz Management B.V.		Netherlands
H & M Hennes & Mauritz Services B.V.		Netherlands
H & M Hennes & Mauritz Belgium NV		Belgium

Cont. Note 29. Interests in group companies

2023	CORPORATE ID NO	DOMICILE
H & M Hennes & Mauritz Logistics NV		Belgium
H & M NB Belgium NV		Belgium
H & M Hennes & Mauritz GesmbH		Austria
H & M Hennes & Mauritz Oy		Finland
H & M Hennes & Mauritz SARL		France
H & M Hennes & Mauritz Logistics GBC France		France
H & M Hennes & Mauritz LP		US
H & M Services US Inc.		US
H&M Retail USA Inc.		US
H&M Fashion Inc.		US
Hennes & Mauritz SL		Spain
Hennes & Mauritz Services SL		Spain
H & M Hennes & Mauritz sp. z o.o.		Poland
H & M Hennes & Mauritz Logistics sp. z o.o.		Poland
H & M Hennes & Mauritz Logistics 1 sp. z o.o.		Poland
H & M Hennes & Mauritz CZ, s.r.o.		Czech Republic
H&M Services CZ s.r.o.		Czech Republic
Hennes & Mauritz Lda		Portugal
H & M Hennes & Mauritz S.r.l.		Italy
H & M Services S.r.l.		Italy
H & M Hennes & Mauritz Inc.		Canada
H & M Hennes & Mauritz d.o.o.		Slovenia
H & M Hennes & Mauritz (Ireland) Ltd		Ireland
H & M Hennes & Mauritz Kft		Hungary
H & M Hennes & Mauritz (Far East) Ltd		Hong Kong SAR
Puls Trading Far East Ltd		Hong Kong SAR
H & M Hennes & Mauritz Holding Asia Ltd		Hong Kong SAR
H & M Hennes & Mauritz Ltd		Hong Kong SAR
Hennes & Mauritz (Shanghai) Commercial Co Ltd		Mainland China
H & M Hennes & Mauritz (Shanghai) Trading Co Ltd		Mainland China
H & M Hennes & Mauritz (Shanghai) Corporation Service Co.,Ltd		Mainland China
H & M Hennes & Mauritz SK s.r.o.		Slovakia
H & M Hennes & Mauritz S.A		Greece
H & M Hennes & Mauritz LLC		Russia
H & M Hennes & Mauritz TR Tekstil Ltd Sirketi		Türkiye
H & M Hennes & Mauritz Ltd		South Korea
H & M Hennes & Mauritz SRL		Romania
H & M Hennes & Mauritz RO Services S.R.L.		Romania
H & M Hennes & Mauritz d.o.o.		Croatia
H & M Hennes & Mauritz PTE Ltd		Singapore
H & M Hennes & Mauritz EOOD		Bulgaria
Weekday Brands AB	556675-8438	Sweden
Singular AB	559226-1647	Sweden
WLC Holding AB	559429-2640	Sweden
H & M Hennes & Mauritz S.A. de C.V.		Mexico
H & M Hennes & Mauritz Management S.A. de C.V.		Mexico

Cont. Note 29. Interests in group companies

2023	CORPORATE ID NO	DOMICILE
H & M Hennes & Mauritz Servicios S.A. de C.V.		Mexico
H & M Hennes & Mauritz Support S.A. de C.V.		Mexico
H & M Hennes & Mauritz SIA		Latvia
H & M Retail SDN BHD		Malaysia
H & M Hennes & Mauritz SpA		Chile
H & M Hennes & Mauritz OÜ		Estonia
H & M Hennes & Mauritz UAB		Lithuania
H & M Hennes & Mauritz d.o.o.		Serbia
H and M Hennes and Mauritz PYT LTD		South Africa
H & M Hennes & Mauritz Pty Ltd		Australia
H & M Hennes & Mauritz S.A.C.		Peru
H & M Hennes & Mauritz Retail Private Limited		India
COS Retail Private Limited		India
H & M Services Pvt Ltd		India
H & M Hennes & Mauritz INC		Philippines
H & M Hennes & Mauritz New Zealand Ltd		New Zealand
H & M Hennes & Mauritz Cyprus Ltd		Cyprus
H & M Hennes & Mauritz Kazakhstan LLP		Kazakhstan
H & M Hennes & Mauritz Colombia S.A.S.		Colombia
H & M Hennes & Mauritz Iceland ehf		Iceland
H & M Hennes & Mauritz Vietnam LLC		Vietnam
H & M Hennes & Mauritz Georgia LLC		Georgia
Hennes & Mauritz Uruguay S.A.		Uruguay
H & M Hennes & Mauritz LLC		Ukraine
H & M Hennes & Mauritz Bel LLC		Belarus
H & M Hennes & Mauritz B&H d.o.o.		Bosnia-Herzegovina
H&M Hennes & Mauritz Kosovo SH.P.K.		Kosovo
H&M Hennes & Mauritz Albania SH.P.K.		Albania
H&M Hennes & Mauritz MK dooel Skopje		North Macedonia
H&M Hennes & Mauritz EC S.A.S.		Ecuador
H&M Hennes & Mauritz LLC		Puerto Rico

Subsidiaries with non-controlling interests

2023	PERCENTAGE OWNERSHIP	CORPORATE ID NO	DOMICILE
Sellhelp AB	80.2	556996-1260	Sweden
H&M Hennes & Mauritz Brazil Importacoes Ltda.	80.0		Brazil

30. UNTAXED RESERVES

	PARENT COMPANY	
	2023	2022
Depreciation in excess of plan	17	21
Total	**17**	**21**

31. CONTINGENT LIABILITIES

When reporting contingent liabilities, IAS 37 Provision, contingent liabilities and contingent assets is applied.

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

The group is involved in various types of disputes, but it is assessed that no current disputes will have any significant impact on the group's results. For further information concerning tax disputes see note 12.

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

	PARENT COMPANY	
	2023	2022
Parent company's lease guarantees	12,292	12,687
Logistics	2,776	2,835
Solar parks	520	260
Total	**15,588**	**15,782**

32. INTEREST INCOME, INTEREST EXPENSE AND SIMILAR ITEMS

The parent company's interest income and similar items consist of SEK 280 m (7) in interest income and SEK 0 m (21) in translation effects on receivables and liabilities from group companies.

The parent company's interest expense and similar items consist of SEK -267 m (-123) in interest expense and SEK 1 m (0) in translation effects on receivables and liabilities from group companies.

33. EVENTS AFTER THE CLOSING DATE

On 31 January 2024, Helena Helmersson chose to leave the CEO role and the H&M group, and the board of directors appointed Daniel Ervér, responsible for the brand H&M, as new President and CEO of the H&M group with immediate effect.

On 25 February 2024 the board of directors of Re:NewCell AB, one of the H&M group's investments made via New Growth & Ventures, announced their decision to file for bankruptcy. Re:NewCell AB was declared bankrupt by the Stockholm District Court on 26 February 2024. The H&M group's shareholding as at 30 November 2023 amounted to SEK 34 m and is included in the balance sheet item Other shares and interests. In December 2023 the H&M group issued a loan of SEK 45 m to Re:NewCell AB.

On 6 March 2024 it was announced that the H&M group and Vargas Holding launch Syre, a new venture to scale textile-to-textile recycled polyester. The H&M group has secured an offtake agreement with Syre worth a total of USD 600 million over seven years, covering a significant share of the H&M group's long-term need for recycled polyester, which is currently primarily sourced from rPET bottle-to-textile.

34. DISTRIBUTION OF EARNINGS

The board of directors proposes to the 2024 annual general meeting that an ordinary dividend of SEK 6.50 per share is paid and that the remaining earnings at the disposal of the meeting are carried forward. See also information in the board's dividend comment in the Administration Report on page 51.

The board's proposal to the 2024 AGM regarding distribution of earnings

	SEK
At the disposal of the annual general meeting[1]	16,065,251,926
The board proposes a dividend to shareholders of SEK: 6.50 per share[2]	10,468,524,463
To be carried forward as retained earnings	5,596,727,463
	16,065,251,926

1) Including the remaining amount of SEK 1,877 m for the, per 30 November 2023, ongoing share buyback programme.
2) Based on outstanding shares, excluding own shares, as per 21 March 2024.

Signing of the annual report

The undersigned hereby provide an assurance that the annual report and the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and with generally accepted accounting practice, and that they provide a true and fair view of the group's and the parent company's position and earnings. The administration report for the group and the parent company provides a true and fair view of the development of the group's and the parent company's business, position and earnings, and describes the significant risks and uncertainties faced by the parent company and the companies making up the group.

Stockholm, 21 March 2024

Karl-Johan Persson
Chair of the Board

Stina Bergfors
Board member

Anders Dahlvig
Board member

Lena Patriksson Keller
Board member

Christian Sievert
Board member

Christina Synnergren
Board member

Niklas Zennström
Board member

Danica Kragic Jensfelt
Board member

Ingrid Godin
Board member

Louise Wikholm
Board member

Tim Gahnström
Board member

Daniel Ervér
Chief Executive Officer

Our audit report was submitted on 21 March 2024

Deloitte AB

Didrik Roos
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts
Opinions
We have audited the annual accounts and consolidated audited the annual accounts and consolidated accounts of H & M Hennes & Mauritz AB (publ) for the financial year 2022-12-01 - 2023-11-30, except for the sustainability report on pages 80-93 and the corporate governance statement on pages 52-79. The annual accounts and consolidated accounts of the company are included on pages 45-132 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 November 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 November 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the statutory sustainability report on pages 80-93 and the corporate governance statement on pages 52-79. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

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

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

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Impairment of store assets
As of November 30, 2023, the Group held property, plant and equipment consisting mainly of equipment, tools, fixture and fittings (SEK 24,553 million) and right of use assets (SEK 56,294 million). In accordance with IAS 36 Impairment of Assets, management is required to complete an annual assessment of indicators of impairment of its store portfolio. Impairment charges of equipment, tools, fixture and fittings and right of use assets have been recognized amounting to SEK 82 million and SEK 236 million, excluding stores where a decision to close was taken prior to year-end.

The Group generally considers that a grouping of stores, based on a significant degree of revenue substitution including allocation of online sales, constitute a cash generating unit and is assessed for impairment separately. The determination of the cash generating unit requires management judgement and a high degree of estimation.

When an impairment test has been conducted, management has estimated the recoverable amount of store assets based on their value in use derived from a discounted cash flow model. This requires management's judgement and a number of key assumptions, such as future revenue growth, changes in gross margin, long-term growth rates and applied discount rates.

A change in management's judgements and estimates may have a material effect on the financial statements and consequently impairment of store assets is considered a key audit matter.

Accounting principles and disclosures related to accounting for impairment of store assets can be found in note 1 (Accounting principles), note 15 (Buildings, land and equipment) and note 17 (Leases).

Our audit procedures
Our audit procedures included, but were not limited to:

- Assessing the accounting principles for impairment of store assets in compliance with IFRS, with the support of accounting specialists,
- Obtaining an understanding of the store impairment process as well as the forecasting process,
- Evaluating and challenging management's range of impairment indicators,
- Evaluating and challenging management's identification of cash generating units and the supporting documentation,
- Evaluating and challenging key assumptions such as future revenue growth, changes in gross margin, long-term growth rates and applied discount rates,
- Reviewing the accuracy of past forecasts of growth rates and future cash flows to assess the level of accuracy of the forecasting process,
- Assessing the appropriateness of the discount rates applied with the involvement of our internal valuations specialists,
- Assessing the mechanical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36, Impairment of Assets, and
- Evaluating the appropriateness of disclosures made in the financial statements.

Accounting for leases
The Group has a large number of lease contracts including approximately 4,400 stores as well as multiple offices and warehouses globally. The right of use asset amounts to SEK 56,294 million as of November 30, 2023 and constitutes 31% of the Group's total assets. IFRS 16 Leases is complex and requires a high level of management's judgements and estimates, such as determining the term of the lease contracts and the interest rate of borrowing. Management is working actively with the store portfolio meaning contracts are changed, terminated, and renewed continuously. Accounting for leases requires a well-functioning process and a clear policy. Changes in judgements and assumptions made by management may have a material effect on the financial statements and consequently accounting for leases is considered a key audit matter.

Accounting principles and disclosures related to accounting for leases can be found in note 1 (Accounting principles) and note 17 (Leases).

Our audit procedures
Our audit procedures included, but were not limited to:

- Assessing the group's accounting principles for leases in compliance with IFRS with the support of accounting specialists,
- Obtaining an understanding of the internal control environment regarding leases and test identified key controls for design and implementation,
- Evaluating management's assessment of lease terms including renewals and extensions,
- Evaluating the methodology related to determining the incremental borrowing rate and on a sample basis testing the rate applied,
- Assessing the right of use asset for impairment,
- Testing the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information,
- Testing the mechanical accuracy of the lease calculations, and
- Evaluating the appropriateness of disclosures made in the financial statements.

Valuation of stock-in-trade
The Group carries a material level of stock-in-trade held by central warehouses and stores, spread over a large number of countries globally. As of November 30, 2023, stock-in-trade amounts to SEK 37,358 million corresponding to 21% of the Group's total assets. Stock-in-trade is valued at the lower of cost and net realisable value. Valuation of stock-in-trade requires clear policies and is subject to management's judgements and estimates, such as calculating the cost of custom duties and freight as well as estimating a provision for obsolescence and sales returns. The current macroeconomic environment has increased the uncertainty and customer behaviour is rapidly changing within the retail industry, impacting the need to continuously revisit and evaluate the method used. Changes in judgements and assumptions made by management may have a material effect on the financial statements and consequently valuation of stock-in-trade is considered a key audit matter.

Accounting principles and disclosures related to stock-in-trade can be found in note 1 (Accounting principles) and note 18 (Stock-in-trade).

Our audit procedures
Our audit procedures included, but were not limited to:

- Assessing the group's accounting principles for inventory in compliance with IFRS with the support of accounting specialists,
- Obtaining an understanding of the internal control environment regarding valuation of inventory and test identified key controls for design and implementation including related IT systems,
- Observing a sample of physical inventory counts in stores and warehouses,
- On a sample basis testing valuation of inventory,
- Evaluating management's estimates related to provisions for obsolescence and sales return, and
- Evaluating the appropriateness of disclosures made in the financial statements.

Other information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts. The other information consists of the renumeration report and the pages 2-44, 80-93 and 138-144. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

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

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

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

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

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

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of H & M Hennes & Mauritz AB (publ) for the financial year 2022-12-01 - 2023-11-30 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and

instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

— has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

— in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report
Opinion
In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for H & M Hennes & Mauritz AB (publ) for the financial year 2022-12-01 – 2023-11-30.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion
We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of H & M Hennes & Mauritz AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, changes in cash flow and notes in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's opinion regarding the statutory sustainability report
The board of directors is responsible for the statutory sustainability report on pages 80-93, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 52-79 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.

Deloitte AB, was appointed auditor of H & M Hennes & Mauritz AB (publ) by the general meeting of the shareholders on the 2023-05-04 and has been the company's auditor since 2021-05-06

Stockholm, March 21, 2024

Deloitte AB

Didrik Roos

Authorized Public Accountant

Key financial performance measures

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

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

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

Measures of profit and return

	GROUP	
RETURN ON EQUITY	2023	2022
Profit for the year	8,723	3,566
Average shareholders' equity	49,179	55,388
Return on equity	**17.7%**	**6.4%**

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

Reason for use: Return on equity is used as it measures the company's return on the shareholders' investments.

	GROUP	
RETURN ON CAPITAL EMPLOYED	2023	2022
Profit after financial items	13,010	6,216
Interest expense	2,143	1,115
Average shareholders' equity	49,179	55,388
Average interest-bearing liabilities	75,659	70,044
Return on capital employed	**12.1%**	**5.8%**

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

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

	GROUP	
GROSS PROFIT	2023	2022
Net sales	236,035	223,553
Cost of goods sold	-115,139	-110,183
Gross profit	**120,896**	**113,370**

Definition: Net sales minus cost of goods sold.

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

	GROUP	
GROSS MARGIN	2023	2022
Net sales	236,035	223,553
Gross profit	120,896	113,370
Gross margin	**51.2%**	**50.7%**

Definition: Gross profit in relation to net sales.

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

	GROUP	
OPERATING PROFIT	2023	2022
Net sales	236,035	223,553
Cost of goods sold	-115,139	-110,183
Selling expenses	-96,435	-94,542
Administrative expenses	-10,895	-11,390
Result from investments in associated companies and joint ventures	971	-269
Operating profit	**14,537**	**7,169**

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

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

	GROUP	
OPERATING MARGIN	2023	2022
Net sales	236,035	223,553
Operating profit	14,537	7,169
Operating margin	**6.2%**	**3.2%**

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

Reason for use: An indicator of operational profitability.

	GROUP	
EBITDA	2023	2022
Operating profit	14,537	7,169
Depreciation, amortisation and write-downs	22,955	22,579
EBITDA	**37,492**	**29,748**

Definition: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation). Operating profit before interest, taxes, depreciation, amortisation, write-downs and impairment incl. IFRS 16.

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

Capital performance measures

	GROUP	
SHARE OF RISK-BEARING CAPITAL	2023	2022
Shareholders' equity	47,601	50,757
Deferred tax liability	2,416	3,273
Balance sheet total	181,273	182,048
Share of risk-bearing capital	**27.6%**	**29.7%**

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

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

	GROUP	
EQUITY/ASSETS RATIO	2023	2022
Shareholders' equity	47,601	50,757
Balance sheet total	181,273	182,048
Equity/assets ratio	**26.3%**	**27.9%**

Definition: Equity in relation to the balance sheet total.

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

	GROUP	
CAPITAL EMPLOYED	2023	2022
Shareholders' equity	47,601	50,757
Interest-bearing liabilities	78,348	72,968
Capital employed	**125,949**	**123,725**

Definition: Equity plus interest-bearing liabilities.

Reason for use: Shows the company's ability to meet current capital commitments.

	GROUP	
OPERATING WORKING CAPITAL	2023	2022
Accounts receivable	3,301	3,014
Stock-in-trade	37,358	42,495
Accounts payable	-21,027	-21,090
Operating working capital	**19,632**	**24,419**

Definition: Accounts receivable plus stock-in-trade minus accounts payable.

Reason for use: Assesses a company's liquidity and operating efficiency by looking at current assets and current liabilities that are held for trading and are essential to business operations.

	GROUP	
TOTAL WORKING CAPITAL	2023	2022
Operating working capital	19,632	24,419
Tax assets	3,830	3,212
Other receivables	5,111	4,601
Prepaid expenses	4,531	4,494
Tax liabilities	-1,377	-1,843
Other liabilities	-7,329	-6,048
Accrued expenses and deferred income	-22,733	-25,050
Total working capital	**1,665**	**3,785**

Definition: Operating working capital plus tax assets, other receivables and prepaid expenses minus tax liabilities, other liabilities and accrued expenses and deferred income.

Reason for use: Assesses a company's liquidity and operating efficiency by looking at current assets and current liabilities that are essential to business operations.

	GROUP	
NET DEBT	2023	2022
Provisions for pensions	379	333
Interest-bearing leasing liabilities	60,888	61,857
Liabilities to credit institutions	17,082	10,778
Cash and cash equivalents	-26,398	-21,707
Net debt	**51,951**	**51,261**

Definition: Interest-bearing liabilities incl. IFRS 16 respectively including pension liabilities less cash and cash equivalents as well as short-term investments.

Reason for use: Used to show the net value of interest-bearing assets and interest-bearing liabilities.

	GROUP	
FINANCIAL NET DEBT/NET CASH	2023	2022
Interest-bearing liabilities excluding lease liabilities and provisions for pensions	17,082	10,778
Cash and cash equivalents and short-term investments	-26,398	-21,707
Financial net debt (+) / net cash (-)	**-9,316**	**-10,929**

Definition: Interest-bearing liabilities excluding lease liabilities and provisions for pensions less cash and cash equivalents and short-term investments.

Reason for use: Used to show the net of the company's borrowing, cash and cash equivalents and short-term investments.

Cont. Key financial performance measures

OPERATING CASH FLOW / EBITDA	GROUP 2023	2022
Cash flow from operating activities	33,949	24,745
EBITDA	37,492	29,748
Operating cash flow / EBITDA	**90.5%**	**83.2%**

Definition: Cash flow from operating activities in relation to EBITDA.

Reason for use: Measure of how much cash flow is generated by operating activities in relation to the profit shown in the income statement.

Per-share performance measures

EQUITY PER SHARE	GROUP 2023	2022
Shareholders' equity	47,601	50,757
Number of shares outstanding as of the closing day, thousands	1,622,548	1,629,687
Equity per share	**29.34**	**31.15**

Definition: Equity divided by the number of shares.

Reason for use: This indicator can show over time whether the company is increasing the shareholders' capital.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE	GROUP 2023	2022
Cash flow from operating activities	33,949	24,745
Average number of shares outstanding, thousands	1,629,097	1,649,847
Cash flow from operating activities per share	**20.84**	**15.00**

Definition: Cash flow from operating activities for the period divided by the number of shares.

Reason for use: This indicator shows cash flow from operating activities per share, which is significant for how the company can finance its investments.

P/E RATIO	GROUP 2023	2022
Price per share at year-end	167.90	116.66
Earnings per share	5.35	2.16
P/E ratio	**31**	**54**

Definition: Price per share divided by earnings per share.

Reason for use: This indicator shows how the profit for the period relates to the price of the shares.

The H&M share

KEY RATIOS PER SHARE	2023	2022	2021	2020	2019
Shareholders' equity per share, SEK[1]	29.34	31.15	36.26	33.00	34.48
Earnings per share, SEK[1]	5.35	2.16	6.65	0.75	8.12
Change from previous year, %	+148	-68	+787	-91	+6
Dividend per share excluding own shares, SEK[1, 2]	6.50	6.50	6.50	0.00	9.75
Share price on 30 November, SEK	167.90	116.66	160.00	181.60	184.84
P/E ratio	31	54	24	242	23

1) Before and after dilution, excluding own shares.
2) Dividend which was decided and paid during the year.

MAJOR SHAREHOLDERS, 30 NOVEMBER 2023

	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
The Stefan Persson family and related companies	939,544,411	79.7	57.7
The Lottie Tham family and related companies	88,680,400	2.6	5.4
State Street Bank and Trust CO W9	56,163,509	1.7	3.5
JP Morgan Chase Bank NA W9	28,119,724	0.8	1.7
Swedbank Robur Fonder	23,756,929	0.7	1.5
AMF – Försäkring och Fonder	22,229,287	0.7	1.4
Handelsbanken fonder	22,049,636	0.7	1.4
Fjärde AP-fonden	20,264,941	0.6	1.2
Northern Trust Company London Branch	14,684,130	0.4	0.9
The Bank of New York Mellon, W9	14,297,018	0.4	0.9

DISTRIBUTION OF SHARES, 30 NOVEMBER 2023

SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDER
1–500	187,171	83.1	20,954,245	1.3	112
501–1,000	17,796	7.9	13,903,559	0.8	781
1,001–5,000	16,275	7.2	35,961,102	2.2	2,210
5,001–10,000	2,142	0.9	15,695,920	1.0	7,328
10,001–15,000	631	0.3	7,920,176	0.5	12,552
15,001–20,000	339	0.2	6,037,000	0.4	17,808
20,001–	1,002	0.4	1,529,214,835	93.8	1,526,163
Total	**225,356**	**100.0**	**1,629,686,837**	**100.0**	**7,232**

DEVELOPMENT OF THE H&M SHARE PRICE IN SEK OVER THE PAST TEN YEARS

From 1 January 2014-1 January 2024
For more information see the investor relations section at hmgroup.com.

Source: Cision/Millistream

Annual general meeting

DATE AND VENUE
H&M's annual general meeting 2024 will be held on Friday 3 May 2024 at 3 p.m. (CEST) in the Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna. There is a possibility of postal voting.

For more information about the annual general meeting, see the notice of the meeting at hmgroup.com/agm.

DIVIDEND
The board of directors has resolved to propose to the annual general meeting on 3 May 2024 that a dividend of SEK 6.50 per share is paid. The board proposes that the dividend is paid in two instalments during the year — one in May and one in November.

The proposed record date for the first dividend payment of SEK 3.25 per share is 7 May 2024. With this record date, the dividend is expected to be paid out by Euroclear Sweden AB on 13 May 2024.

To be entitled to receive the dividend H&M shares must have been purchased no later than 3 May 2024. The ex-dividend date is 4 May 2024.

The record date proposed for the second dividend payment of SEK 3.25 per share is 8 November 2024. With this record date, the dividend is expected to be paid out by Euroclear Sweden AB on 13 November 2024.

To be entitled to receive the second dividend instalment H&M shares must have been purchased no later than 6 November 2024. The ex-dividend date is 7 November 2024.

Calendar

H & M Hennes & Mauritz AB will provide the following information:

27 March 2024	Three-month report
3 May 2024	Annual general meeting 2024 at 3 p.m. (CEST)
27 June 2024	Six-month report
26 September 2024	Nine-month report
30 January 2025	Full-year report

Some words and phrases used in this report

Throughout this report we use certain words and phrases to describe our approach to addressing specific social and environmental issues. Here, we explain what we mean by these terms.

Circular and circularity are terms we use throughout this report in different contexts. We use them as high-level terms to describe activities aligned with our strategic partner, the Ellen MacArthur Foundation's (EMF) definition of a circular economy. This is based on three principles, driven by design: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature. More specifically, we support and aspire to the Foundation's vision for a circular economy for fashion, where products are designed to be used more, made to be made again, and made from safe and recycled or renewable inputs. Where we reference our **circular ecosystem**, we are referring to putting all these principles into practice through the way we operate our business and create our products, including:

Circular products: Creating products that are made to last from safe, recycled, regenerative or sustainably sourced materials that can circulate multiple times.

Circular supply chains: Building scalable systems that circulate products and materials for repair, reuse, remake and recycling and that use lower-impact production processes — such as dyeing, printing and finishing.

Circular customer journeys: Providing convenient ways for our customers to engage in circular fashion where products are used more before being repaired, reused, remade and recycled.

Customer-facing circular business models is an additional term we use to describe circular customer journeys. Circular business models can be in place throughout the entire ecosystem. When we talk about care, repair and reuse models, we frame them as customer-facing circular business models.

Fair compensation in our production supply chain refers to a wage that — in a regular work week, without overtime — is enough to meet the basic needs of employees and their families and provide some discretionary income. As a minimum, the wage should meet legal levels or applicable collective bargaining agreement levels — whichever is higher.

Our vision to **lead the change** means innovating, incubating and investing in scaling new materials, technologies and business models with the potential to decouple our business growth from resource use. It means doing things differently and daring to take the first step. It means being transparent and working to improve the accuracy and comparability of industry-wide disclosure. And finally, it means collaborating with others to strive to improve the way the industry works and help shape the legislative environment required for the fashion sector of the future.

More sustainable describes changes to our overall operational activity, or that of our suppliers that have a reduced environmental impact compared to conventional alternatives. We base this assessment on various qualitative and quantitative comparative data sources including third-party lifecycle assessment (LCA) data, external benchmarks and assessments, supply chain assessment scores, and data on other KPIs.

1) A zero-emissions vehicle is one that does not emit exhaust gas or other pollutants when operational.
2) Our definition of responsible sourcing is based on the OECD Guidelines for Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights.

Preferred transport options refer to lower-impact modes of transport, including 100 percent biofuel, electric and zero-emissions vehicles.[1]

Recycled or sustainably sourced materials. Our definition of recycled or sustainably sourced materials has evolved over the years — from primarily evaluating environmental factors of certain materials compared to the conventional alternatives, to today taking a more holistic approach that also include social factors.

Through this definition, we are working to align with Textile Exchange's definition of preferred fiber and materials: "A fiber or raw material that delivers consistently reduced impacts and increased benefits for climate, nature, and people against the conventional equivalent, through a holistic approach to transforming production systems." The Textile Exchange's tool, Preferred Fiber and Material Matrix (PFMM), provides further clarity around what constitutes a "preferred" material per material category.

A "recycled or sustainably sourced" material at H&M Group is assessed against factors including voluntary sustainability standards, the Textile Exchange definition of preferred fibre and materials, the Fashion Industry Charter for Climate Action's Raw Materials Working Group's work to identify low-carbon sources within each fibre category, and aligning our sourcing processes with relevant H&M Group policies. Read more about our definition of recycled or sustainably sourced at hmgroup.com/sustainability/circularity-and-climate/materials/.

Regenerative agriculture is a concept we refer to in relation to raw material production. It is a holistic approach to agriculture that focuses on the interconnection of farming systems and nature. Regenerative farming practices can improve soil health and strengthen the resilience of farmers, enhancing livelihoods while also restoring natural habitats.

Responsible is one of the three pillars of our long-term materials sourcing vision. In this context, it means sourcing materials with the overall aim to respect human rights and reduce environmental impact while contributing to sustainable development in the countries where we source.[2] This is the foundation of all our sourcing decisions. The broader definition of what constitutes a **responsible company** is defined by international frameworks. For H&M Group it means having a risk-based approach to understanding and taking action to address our impacts on people and the planet, supported by robust systems of governance and transparent internal and external communications.

We are aligned with the Organisation for Economic Co-operation and Development (OECD) definition of **Responsible Business Conduct**, which sets out an expectation that all businesses — regardless of their legal status, size, ownership or sector — avoid and address negative impacts of their operations, while contributing to sustainable development in the countries where they operate.

Reverse supply chain is a term for a system that brings used products, materials and production waste back into circulation either as second-hand products, or to be reused or recycled and diverted back into the production system as valuable resources.

Our **value chain** includes the full range of activities and people required to plan, design, source, process and manufacture, transport, sell, use, reuse and recycle our products. Our own operations is the part of our value chain that includes activities carried out by H&M Group employees across our offices, stores and distribution centres. Our supply chain is the part of the value chain that covers production, logistics, distribution, and other externally sourced products or services that support our business.

— Companies we do business with directly and work with product manufacturing or processing are classified as tier 1.

— Companies working with component production and processing tend to fall into tiers 2 to 4. Read more about our supplier tiers.

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DISTRIBUTION OF ANNUAL AND SUSTAINABILITY REPORT 2023
The H&M group sends out the printed version of the Annual and Sustainability Report to shareholders who have specifically requested a printed version. The annual and sustainability report is also available to read and download at hmgroup.com.

For information about the H&M group's various brands and business ventures see:

hm.com
cosstores.com
weekday.com
monki.com
stories.com
arket.com
afound.com
singular-society.com
creatorstudio.com
sellpy.com