# H&M GROUP ANNUAL & SUSTAINABILITY REPORT 2025

H&M

# Liberating fashion for the many

H&M Group is not just a family of brands. It's something bigger. It's an idea that goes all the way back to our founder. In short, it's about making fashion accessible to everyone – without compromising on design, quality, price or sustainability.

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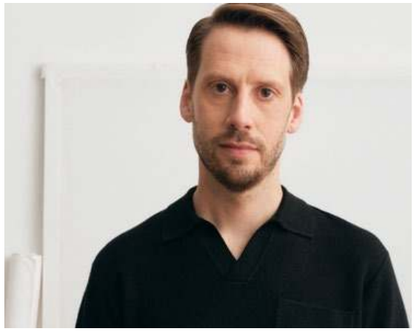

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## About the report

This document is H&M Group's annual and sustainability report detailing our financial and non-financial performance in the year from 1 December 2024 to 30 November 2025 (the 2025 financial year). It includes comments from our CEO and a description of the business, followed by our statutory annual report.

- The administration report comprises pages 16–21 and 41–137.

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.

# We are shaping the future of fashion

## One of the world's largest fashion houses

Our ambition is clear: to make fashion accessible to everyone – without compromising on design, quality, price or sustainability.

## A global destination for our customers

Offering an elevated experience that reflects global and local trends, and with billions of people visiting our physical stores and digital channels every year.

## More than 500 creatives

A world of design and innovation with fashion that is inclusive, engaging and inspiring.

## Unique brands

With collections that reflect diversity, creativity and individuality.



EUROPE
**2,392**
stores

NORTH & SOUTH AMERICA
**769**
stores

ASIA, OCEANIA & AFRICA
**940**
stores

**81**
markets

**~4,100**
stores worldwide

**61**
online markets

**~132,000**
employees

H&M
- H&M HOME
- H&M BEAUTY
- H&M MOVE

COS
WEEKDAY
- CHEAP MONDAY
- MONKI

& OTHER STORIES
ARKET
SINGULAR SOCIETY
SELLPY

| Key figures | 1 Dec 2024–30 Nov 2025 | 1 Dec 2023–30 Nov 2024 | 1 Dec 2022–30 Nov 2023 | 1 Dec 2021–30 Nov 2022 |
|---|---|---|---|---|
| Net sales, SEK m | 228,285 | 234,478 | 236,035 | 223,553 |
| Change net sales from previous year in SEK, % | –3 | –1 | +6 | +12 |
| Change net sales previous year in local currencies, % | +2 | +1 | –1 | +6 |
| Operating profit, SEK m | 18,395 | 17,306 | 14,537 | 7,169 |
| Operating margin, % | 8.1 | 7.4 | 6.2 | 3.2 |
| Profit after financial items, SEK m | 16,202 | 15,443 | 13,010 | 6,216 |
| Profit after tax, SEK m | 12,085 | 11,584 | 8,716 | 3,566 |
| Cash and cash equivalents, SEK m | 20,908 | 17,340 | 26,398 | 21,707 |
| Stock-in-trade, SEK m | 35,427 | 40,348 | 37,358 | 42,495 |
| Average number of shares outstanding, thousands[1] | 1,604,033 | 1,611,695 | 1,629,097 | 1,649,847 |
| Earnings per share, SEK[1] | 7.58 | 7.21 | 5.37 | 2.16 |
| Cash flow from operating activities, SEK m | 31,120 | 31,756 | 33,949 | 24,745 |
| Dividend per share excluding treasury shares, SEK[2] | 6.80 | 6.50 | 6.50 | 6.50 |
| Return on equity, % | 27.1 | 24.7 | 17.8 | 6.4 |
| Total number of stores | 4,101 | 4,253 | 4,369 | 4,465 |
| Average number of employees[3] | 94,744 | 97,710 | 101,103 | 106,522 |

1. Before and after dilution, excluding own shares.
2. Dividend which was decided and paid during the year.
3. The average number of employees in the group converted into full-time positions.

| Sales and stores per region | Net sales 2025 (SEK m) | Net sales 2024 (SEK m) | New stores (net) during the year | Number of stores 30 Nov 2025 |
|---|---|---|---|---|
| The Nordics | 20,147 | 20,627 | –23 | 357 |
| Western Europe | 79,195 | 79,550 | –22 | 994 |
| Eastern Europe | 20,934 | 21,181 | –1 | 478 |
| Southern Europe | 31,281 | 31,507 | –11 | 563 |
| North & South America | 48,999 | 51,798 | 10 | 769 |
| Asia, Oceania & Africa | 27,729 | 29,815 | –105 | 940 |
| Total | 228,285 | 234,478 | –152 | 4,101 |

| Key figures sustainability | Target | 1 Dec 2024–30 Nov 2025 | 1 Dec 2023–30 Nov 2024 |
|---|---|---|---|
| **Climate** | | | |
| Share of absolute reduction in GHG emissions (Scope 1 and 2) compared with 2019 baseline[1] (%) | –56% by 2030 | –41.0 | –36.3 |
| Share of absolute reduction in GHG emissions (Scope 3) compared with 2019 baseline[1] (%) | –56% by 2030 | –34.6 | –24.4 |
| Share of renewable electricity in own operations (%) | 100% by 2030 | 95 | 96 |
| **Commercial products** | | | |
| Share of recycled or sustainably sourced materials (%) | 100% by 2030 | 91 | 90 |
| Share of recycled materials (%) | 30% by 2025 | 32 | 30 |

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 use of sold products. The baseline is 2019.



SEK
228 billion
in net sales[1]

8.1%
operating margin

SEK
31 billion
cash flow from operating activities

SEK
7.58
earnings per share

15.5%
stock-in-trade in relation to the year's sales

>30%
just over 30 percent of sales take place online

34.6%
reduction in Scope 3 greenhouse gas emissions[2]

51%
women in senior management[3]

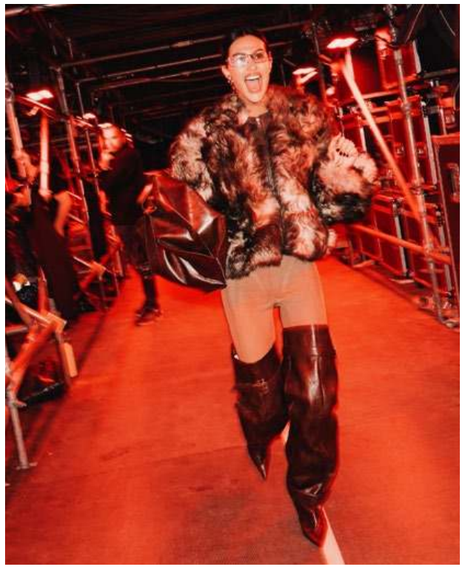
91%
recycled or sustainably sourced materials in our commercial products, including 32 percent recycled materials

1. +2% in local currencies compared with previous year.
2. According to our science-based target compared with 2019 baseline.
3. CEO plus two levels of directly reporting management.

# A year filled with creativity

## H&M puts on a dazzling show at London Fashion Week

H&M took its place at London Fashion Week, showcasing the AW25 collection in spectacular style. Presenting H&M's in-house designed fashion, the show highlighted the design team's creativity and the strength of H&M's own collections across womens- and menswear. With leading models on the catwalk and many well-known guests in the audience, the show also featured a special performance by talented UK musician Lola Young.



**H&M's new collaboration with Stella McCartney**
In December H&M and renowned designer and sustainability pioneer Stella McCartney announced a new collaboration, almost exactly 20 years after their first. To be launched in spring 2026, the collection will feature certified, responsibly made materials and will showcase examples of alternatives to conventional fabrics and textiles. This new partnership marks a new type of collaboration that extends the dialogue beyond the creation of a collection, putting particular focus on advocating for sustainability through discussion, debate and action.

**H&M and Glenn Martens launched new collection**
In October H&M presented its long-awaited collection in partnership with Belgian designer Glenn Martens. Famous for pushing the boundaries of fashion, the collaboration with H&M gave more people the chance to access his unique style. Combining womenswear, menswear, unisex pieces and accessories, the collection saw classic H&M favourites taking on a new form with sculptural details and Martens signatures.

**COS presented new collection in New York**
COS returned to New York Fashion Week for the fourth consecutive year, manifesting its ambition to build a global brand in the accessible luxury category. The strong AW25 collection was a study in contrast, materiality and craftsmanship. Reflected in a top ranking in the famous Lyst Index 2025, COS is joining fashion's hottest global luxury brands.

**H&M expands successfully into Brazil**
During the year H&M opened its first store in São Paulo, Brazil, to a very positive reception. With a focus on elevated products offering unbeatable value for money, inspiring experiences and a strong brand that connects with the local market, H&M's arrival lays the foundation for its continued high-quality expansion. Following the launch of both the online store and four physical stores, H&M sees good potential for growth both in Brazil and more widely in Latin America. Seven new stores are planned for 2026 – all in prime locations in key cities, the first coming to Rio de Janeiro.

## Sustainability efforts recognised

Integrating sustainability into our daily operations continues to deliver results. During the year H&M Group's sustainability efforts and reporting were recognised by CDP with an A rating for both climate and water – making us a global leader in environmental reporting and performance. Fashion Revolution's report *What Fuels Fashion 2025* recognised H&M's sustainability reporting as transparent and accessible, putting us in first place among 200 major fashion brands and retailers. H&M was also ranked number one among 42 fashion companies by the organisation Stand.earth for our efforts to reduce climate impact.

**The design director behind H&M's creative legacy**
'Team Maggan', a book published this year, tells the story of Margareta van den Bosch – H&M's first design director who played a key role in the company's creative development. Margareta established H&M's design process and paved the way for our global design collaborations. The book provides a visual documentation of H&M's fashion history as well as paying tribute to Margareta's efforts to make fashion more fun, more accessible and meaningful.

**ARKET and Barbour take inspiration from the weather**
ARKET and Barbour launched an exclusive collection for AW25, co-designed between Stockholm and South Shields in northeast England. Grounded in the shared experience of British and Nordic weather, the collection fused functional design with a nature-inspired palette of blues, greens and blacks. The campaign was captured on the island of Gotland, portraying people's connection to the landscape and a life connected to nature.

**Creative collaborations shape future fashion**
During the year & Other Stories unveiled a collaboration with London-based fashion designer Roksanda Ilinčić, founder and creative director of the eponymous label ROKSANDA.

H&M HOME began a collaboration with Palm Heights, the beachfront Caribbean boutique hotel on Grand Cayman Island, founded and designed by visionary New York-based creative Gabriella Khalil.

Early in the year Cheap Monday presented a collaboration with LA-based artist, singer-songwriter and style muse Landon Barker.

WORD FROM CEO

# "We are strengthening our offering and showing that growth, profitability and reduced emissions can go hand in hand."



## In 2025 we continued to take important steps towards all our long-term targets: profitability increased, the sales trend was positive and our $CO_2$ emissions decreased.

In a world marked by geopolitical and macroeconomic uncertainty, we have continued to work according to our plan and strengthened our customer offering. We can see that what we are doing is paying off, but we need to pick up the pace and focus our efforts to deliver the growth and profitability we are aiming for.

Sales for the full year increased by 2 percent in local currencies, with around 4 percent fewer stores at the end of the financial year than at the same point in time last year. The gross margin for the full year was 53.4 (53.4) percent, having strengthened in the second half of the year. This was primarily a result of improvements in our purchasing work and our supply chain, as part of our focus on strengthening our product offering. In addition, external factors had a positive effect on purchasing costs. Combined with good cost control, this increased the operating margin to 8.1 percent – compared with 7.4 percent in the previous year.

Our starting point is always our business idea: fashion and quality at the best price in a sustainable way. Fashion is more than clothing – it's a way of expressing your personality – and our ambition is to make this possible for everyone. In 2025 we further raised the level of our products, elevated the shopping experience and strengthened our brands to offer even more value for money.

### Putting the product front and centre

The product is our top priority. During the year we enhanced our creativity and at the same time streamlined our design and purchasing work by shortening decision paths, improving our ability to analyse trends and speeding up our supply chain.

We have also developed closer partnerships with our suppliers, who share our view of quality and sustainability. Altogether this has helped create a more relevant assortment and has progressively improved inventory efficiency.

### Upgrading the shopping experience

Our omni-model creates a seamless shopping experience. It allows customers to move easily between our channels and meet us where, when and how it suits them. Digitally we have taken important steps forward. In 2025 we launched our upgraded digital store globally. It provides more space for inspiration and a product presentation with improved product pages, recommendations and search functions. This has made the experience more intuitive and personal, and contributed to profitable growth.

Upgrading our physical stores is just as important. During the year we continued to upgrade stores by investing in rebuilds. We are continuing this work in 2026 by updating a large part of the stores with improvements in layout, presentation and tech to further strengthen the customer experience and the interaction between our channels.

### Relevant brands

During the year both H&M and COS presented their main collections for autumn and winter at the fashion weeks in London and New York respectively. There was a strong response, including on social media – confirming the relevance of our collections and the strength of our brands.

Another example of brand building was H&M's expansion into Brazil. The customer response was very positive, and there was an evident sense of pride among our colleagues. This shows the power of our upgraded offering and our responsiveness to the local market.

COS continued at the same time to enhance its position in the accessible luxury category. Its global brand journey was confirmed in 2025 by repeated top positions in the Lyst Index[1], which ranks COS as one of the world's most sought-after brands – underlining the strength of its offering.

1. The Lyst Index is a quarterly ranking of fashion brands based on global consumer data, including searches, sales and engagement online.

“In 2025 we laid a stronger foundation and took important steps towards all our long-term targets.”

**Bringing business and sustainability together**
Integrating our sustainability efforts into the business is the key to reducing emissions in line with our plan and the 1.5°C target. During the year we further reduced our emissions in Scope 3[2] and are well on the way to our long-term target of an absolute reduction of 56 percent by 2030. Our efforts have attracted external attention, and we are seen as one of the leading players in our industry. During the year we were ranked number one of 200 companies in Fashion Revolution’s *What Fuels Fashion* report, topped Stand.earth’s *Fossil-Free Fashion Scorecard* for the second consecutive year and were A-listed by CDP for our climate and water efforts.

What we are particularly proud of is that many of the effects we have achieved have been driven by smarter ways of working in our value chain, rather than by large investments. We work with fewer suppliers and build long-term partnerships with them. By offering more stable volumes and better planning, we create the conditions for our partners to invest in renewable energy and more energy-efficient processes. It is this partnership that makes a difference. When business and sustainability develop together, we can reduce emissions at scale and show that fashion can be both affordable and have a lower climate impact.

**The power of our culture**
Our greatest assets are our employees and our shared values. The passion I encounter in stores, warehouses and offices around the world – the desire to succeed and the drive to always improve – is one of our most fundamental strengths. To improve things further, during the year we took important steps in our ongoing work to simplify the organisation, removing layers for shorter decision paths and creating simpler structures.

**Focus going forward**
Despite uncertainty in the world around us, over the past year we have moved closer to our long-term targets. At the same time, we humbly acknowledge that in the coming year there is much more to do.

2026 will be about building on the momentum we have created. We will continue our work to improve the product, the experience and brand building. We will continue to prioritise what is most important to our customers: a more relevant assortment that gives them the best value for money, and a seamless and inspiring shopping experience in all channels.

With an increasingly strong foundation, a plan that works and thanks to our employees’ commitment, we are well prepared to continue to deliver profitable growth, reduce our climate emissions and continue to develop an offering that exceeds our customers’ expectations.

Daniel Ervér
CEO H&M Group

2. Scope 3 excludes the use of sold products.

DESIGNED AROUND
THE CUSTOMER EXPERIENCE

# Inspiration and presence in all channels

Our purpose is *Liberating fashion for the many* – and in all our channels this means creating experiences that inspire and engage in a way that feels relevant and meaningful to our customers. Our products are always the starting point. By putting them at the centre, we offer fashion that not only meets customers’ needs but also inspires them.

With our global store presence and growing digital platform, we make fashion accessible while also offering flexibility – giving our customers the freedom to choose how, where and when they want to meet us. Being close to the customer and accessible in all channels is something we see as not only a competitive advantage, but also a way to make everyday life easier and more convenient for our customers.

Through our channels we aim to seamlessly combine physical and digital interactions to create an enhanced experience and connect with our customers at every touchpoint. Alongside offering good products, an elevated omni-channel experience is crucial – both to meet customers’ expectations and for our future development.

# Market and strategy

## An ever-changing global market

New ways of consuming, smart tech and changing consumer behaviours continue to reshape the fashion industry. In a world where trends are moving ever faster, quality, price, availability, sustainability and presence in the right channels are becoming decisive. With a deep understanding of customers' needs and a flexible organisation, H&M Group quickly adapts to new conditions and opportunities.

The apparel industry is a growing, constantly evolving global market with an estimated value in 2025 of around USD 1.85 trillion. The market is fragmented – many small players are competing with a few major global companies. The top 10 brands account for about 14 percent of the total market[1].

**Conscious consumers are shaping the future**
The industry is influenced by various macrotrends. Consumers are now more price-conscious and inclined to change, while fashion trends move faster than ever. This places high demands on today's brands to deliver relevant offerings, availability, solid sustainability efforts and a clear identity.

Social media and public AI tools today shape customers' buying behaviours and how they absorb information, and are becoming increasingly important in purchasing decisions. Quality, price, availability and presence in the right channels continue to be crucial. The new conditions are driving the development towards increasingly integrated omni-channel models, where customers can move easily between physical stores and digital channels.

**A rapidly evolving world**
In a time of challenging macroeconomic conditions and geopolitical uncertainty, consumers are acting more cautiously. At the same time, the competition is changing as regulations are developed and contribute to fairer rules of play in the market.

**Technology brings new opportunities**
Digitalisation and the development of tech continue to shape how fashion is experienced and consumed. Artificial intelligence plays a growing role in increasing creativity, efficiency and customer value, and automated solutions for ordering, payment and returns are now standard.

Online shopping continues to grow, while physical stores are developing into places for inspiration, meetings and all-round experiences beyond just sales. With continued growth expected in the industry, the fashion market offers significant opportunities for actors such as H&M Group who are fast-moving, value-driven and close to their customers.

**Positioned for the future**
H&M Group monitors developments closely and adapts both the business and the offering to new circumstances. Our strength lies in our in-house design teams, our strong brands, our global presence, our relevant store network and our understanding of the customer. Through our omni-channel model, we create a seamless shopping experience – regardless of where, when and how our customers choose to meet us.

1. Euromonitor 2025.

# Driven by design, quality and creativity

H&M Group's brands are united by the ambition to make fashion and design available to everyone. With a flexible and strong business model and a broad brand portfolio, we continue to drive the fashion industry forward through innovation, entrepreneurship and customer focus.

H&M Group is a global family of fashion and lifestyle brands. Our ambition is to give people all over the world the opportunity to express their personal style – without compromise. Through our purpose Liberating fashion for the many we challenge restrictive norms and exorbitant prices, all while working to minimise our impact on people and the environment.

Our business idea – fashion and quality at the best price in a sustainable way – is the basis of everything we do. Our key strategic areas are an elevated product offering, an improved shopping experience and development of our brands.

**A diverse portfolio of brands**

Our diverse brand portfolio includes H&M – with H&M HOME, H&M MOVE and H&M Beauty – as well as COS, Weekday – including Cheap Monday and Monki, & Other Stories, ARKET, Sellpy and Singular Society.

Each brand has a unique customer offering and allows us to reach customers with different styles, needs and looks all over the world. Together they create a broad and inspiring portfolio that strengthens H&M Group's position in the global fashion market. We are united by shared values and a shared desire to drive the transition towards a fashion industry with less impact on people and the environment.

**A seamless customer experience**

Our creative design teams create collections that meet trends and customer needs. Our omni-channel model blends physical and digital shopping to create an inspiring, smooth and seamless customer experience. Our stores are more than points of sale – they are meeting places where people can be inspired, explore their style and experience our brands in a personal way.

We are continuing to invest in both physical and digital channels, in order to provide customers with a flexible and accessible shopping experience – whenever and wherever they want.

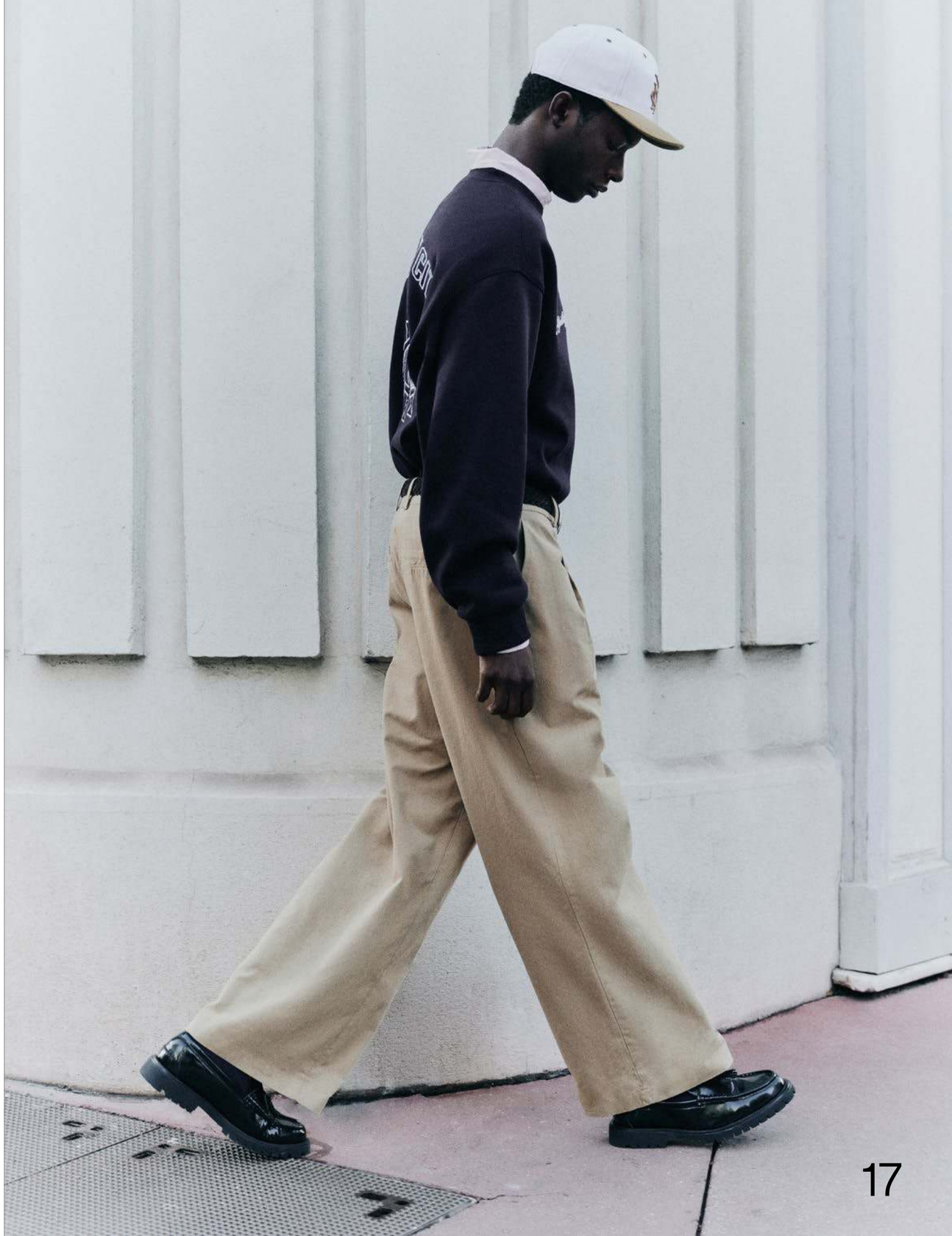
## United by our purpose, business idea, focus areas and values

**Purpose** Liberating fashion for the many.

**Business idea** Fashion and quality at the best price in a sustainable way.

**Key areas** Product offering, shopping experience and brand building.

**Values** We are one team. We believe in people. We are entrepreneurs. We make constant improvements. We are cost-conscious. We are straightforward and open-minded. We keep it simple.



# Product, experience and brand in harmony

Combining a strong product offering with inspiring shopping experiences and long-term brand building creates unbeatable value for our customers – all while driving positive change in the industry.

With our strong financial position and long-term strategy, we can invest in initiatives that support the transition towards a global fashion industry built on resource efficiency, safe working conditions and ethical business practices. Through our key strategic areas we continuously work to improve our products, shopping experience and brands, with the aim of always creating better value for the customer.

**Products centred on fashion and quality**
The customer is at the centre of everything we do – not least in our product offering. By quickly capturing trends and customer insights we can offer a relevant, inspiring and up-to-date assortment. Simplified internal structures and closer cooperation with suppliers have enabled us to continue improving our product development process.

To streamline operations further and to increase flexibility, we have also reinforced our nearshoring efforts and continued developing the use of RFID. This is enabling us to meet demand faster and create even greater value for our customers.

**Inspiring and personal shopping experiences**
We have a unique combination of physical and digital stores – which means we can continually improve the shopping experience by combining the strength of our global store network with our digital channels and

social media. We aim to tailor the offering in our physical stores to the local market and make the online experience more personal.

Integrating our stores with the digital supply chain and improving customer service enables us to give each customer a smooth and relevant experience.

In 2025 both physical and digital stores remained an important area for investments in the business. During the year we picked up the pace in our work to update the store portfolio through improvements in layout, presentation and tech – further enhancing the customer experience and the interaction between our channels. We also launched an upgraded digital store experience with new functionality, which has now been rolled out globally.

**Brands that focus on the customer**

Our strong brands all contribute to achieving our purpose – Liberating fashion for the many. During the year we further enhanced our presence where our customers spend their time – such as by being more visible on social media. We deepened our fashion partnerships with influencers and creators, while continuing our partnerships in music and culture. With more resource-efficient investments in marketing we have increased both our reach and our engagement in our channels.

## 2025 saw the introduction of various new physical and digital stores

- H&M was launched in Brazil, El Salvador and Venezuela.
- ARKET opened new stores in Norway, Austria and Ireland.
- COS made its debut in India with the opening of a store in New Delhi.
- & Other Stories expanded its digital presence to Zalando in Germany.
- ARKET expanded digitally to both Zalando and The Iconic.
- Sellpy launched its selling service in Poland and Czechia.

# Sharing resources brings shared success

To achieve our ambitious goals, we have shared operational enablers that support our key strategic areas. These mainly relate to developing our employees, using new technology, integrating sustainability into the business and focusing on an efficient use of resources.

**People and leadership**

Our employees, our values and our unique corporate culture are vital to our success and contribute to a diversity of perspectives and experiences that drive our creative and dynamic work environment. We invest in attracting and developing talent and building leadership that promotes creativity, care, consideration, and business results.

**AI and data**

To strengthen our business we are increasing the integration of AI and data into ongoing operations. Advanced analytics give us valuable insights into customer behaviour, enabling us to optimise inventory management, streamline the supply chain and strengthen our core business.

**Integrated sustainability**

We integrate sustainability topics into our strategic business decisions and are working purposefully to decouple our growth by reducing our emissions as well as the use of virgin materials and water, even while our business grows. We acknowledge our environmental and social responsibilities by strengthening people and communities, as well as by reducing negative impact in our own operations and throughout the value chain. Moreover, we have an ambition to drive change in the industry through shared commitments and innovations that help build a thriving fashion industry. Read more about our sustainability efforts on pages 58–128.

**Resource efficiency**

We continually improve our efficiency and productivity, focusing on what matters the most to our customers and on good cost control. Our financial strength and long-term perspective enable us to invest in improvements to the customer offering and shopping experience, and to drive innovation all along the value chain.

# Ambitious long-term targets

We have three long-term targets that clarify our priorities and our commitment to balancing profitable growth with environmental and social responsibilities.

- Long-term sales growth of at least 10 percent per year.
- An operating margin that exceeds 10 percent.
- A 56 percent absolute reduction in greenhouse gas emissions[1] no later than 2030, with 2019 as a baseline.

These ambitious long-term targets guide our efforts towards sustainable and profitable growth over time. In 2025 sales developed positively, increasing by 2 percent in local currencies. The operating margin was improved, particularly in the second half of the year, reaching 8.1 percent for the full year.

Our efforts to reduce greenhouse gas emissions along our value chain and optimise resource use have continued to pay off. During the year our greenhouse gas emissions in Scope 1 and 2 decreased by 41 percent and in Scope 3 by 34.6 percent. Read more in the sustainability statement on page 72.

1. Refers to science-based targets for own operations (Scope 1 & 2) and for the company's entire value chain (Scope 3) and excludes indirect use-phase emissions.

DESIGNED AROUND
THE CUSTOMER EXPERIENCE

# The physical store as a meeting place

Our store portfolio, with its reach and unique character, is an important competitive advantage that lets us welcome customers from all around the world to H&M Group.

In 2025 we took further steps to elevate the experience in our physical stores through upgrades to create more inspiring, relevant environments. We use new technology to ensure that the right products are in the right place at the right time – and to connect customers closer to our products and our brands in a way that feels really meaningful.

Our in-store employees hold the key to an engaging experience. Their service, expertise and personal approach create the added value that only a physical environment can offer. When customer, employee and fashion come together it releases the store's full potential and optimises the experience.

We believe in combining the best elements of physical presence with digital opportunities to create the store of the future. In an increasingly digital world, the physical store is becoming more important than ever – as a meeting place and a place where our products and brands can be experienced for real.

# Our business



FASHION AND DESIGN

## Creativity and curiosity at the centre of our design philosophy

At H&M Group our design work is driven by a strong belief in the power of creativity. Our dedicated design team works with passion and precision to create collections that inspire our diverse global customer base.

Fashion is more than clothes. It's a feeling, an expression of identity and a source of inspiration. We want a world where everyone can afford to express their own personal style – and we want to make people's dreams come true by offering products that meet needs and inspires.

Each collection is a result of collaboration, creativity and craftsmanship. We have a diverse team of designers and product developers who closely monitor global trends and translate them into collections that suit local markets. Our designers work closely with our product teams, who have deep customer insight and extensive experience. Together they create well-designed, well-made products that stand the test of time, in both style and quality.

**Balancing creativity with commerciality**

H&M's design philosophy is based on a balance between commercial considerations and creativity. Both must have equal influence if we are to succeed.

We have developed strong relationships with suppliers, who share our views on quality and sustainability. Shortening the lead time from design to store lets us meet customers' needs and wishes more quickly. Our demand-driven supply chain enables us to react quickly to changes in the market and deliver a more diverse, more relevant assortment.

**Fashion that inspires**

We want our customers to sense the thought, feeling and commitment that go into every garment. The cut, the sewing and the inside of a garment are just as important as how it looks on the outside. At the same time, we are developing our efforts in key sustainability areas and expanding our resale offering so that more customers can give their clothes a longer life.

# Creative collections

**H&M Studio** is H&M's most high profile and fashion-conscious offering. Launched in 2013 and developed by an in-house design team in Stockholm, H&M Studio presents unique limited edition collections several times a year. Collections launched during the year included a carefully considered wardrobe for the transitional period between spring and summer, as well as an early summer collection combining tailored suits with relaxed garments for leisure and social activities. There was also a summer collection inspired by both wonders of the desert and city life in Marrakech, as well as a glamorous collection for the winter holiday season.

In the spring **Weekday** took the next step towards becoming a creative destination offering various looks – with Monki and Cheap Monday both moving in. The launch campaign marked the start of a new chapter celebrating youth culture and the freedom to express yourself. Here fashion meets creativity and community in a place where anything is possible.

**COS** presented its SS25 collection in Athens. Echoing Renaissance art, the collection's softly sculptured silhouettes and draped elements created a feeling of fluidity. The looks were finished with pointed suede mules, classic ballerinas and minimalist knitted sock boots.

During the year **& Other Stories** presented a shift in the brand's identity, reflected in a new logo and tone of voice combined with a fresh approach to creative expression, design and styling. Rooted in modern sensibilities with a nostalgic feel, the new brand identity was introduced in the autumn campaign – re-imagining everyday pieces for individuals who embrace self-expression.



OUR VALUE CHAIN

# Flexibility and efficiency all along the value chain

Through continuous development and a firm commitment, H&M Group's value chain reflects our journey towards a more transparent and efficient business model designed to meet the expectations of today's conscious consumer.

To give customers the best offering in the right channel at the right time, we focus on securing a demand-driven and flexible supply chain that can react quickly to trends and changing customer behaviour.

Our value chain includes the entire life cycle of our products – from planning, design and sourcing to production, distribution, use, collection, sorting, reuse and recycling. The part of this that involves production, logistics and distribution constitutes our supply chain, which is based on long-term partnerships, mutual trust and fair purchasing practices. Our production offices in sourcing markets maintain close dialogue with suppliers, allowing us to quickly adapt volumes, channels and markets based on changes in demand or unexpected events.

**Advanced technology improves efficiency**
Our efficient distribution systems and highly automated logistics centres let us shorten lead times and improve the customer experience. Integrating advanced tech and deepening our strategic partnerships enables us to create value, drive profitable growth and provide flexibility and speed between sales channels. AI-driven forecasting and RFID technology have further improved delivery planning, allowing us to better ensure that we are producing what we are actually selling.

As part of our strategic partnerships we have consolidated volumes to fewer, stronger suppliers. This improves our bargaining position and gives us better contract terms. It also means we can place higher demands on our suppliers in terms of sustainability and quality. Working more closely with suppliers and keeping production close to the customer means we can also react faster to trends.

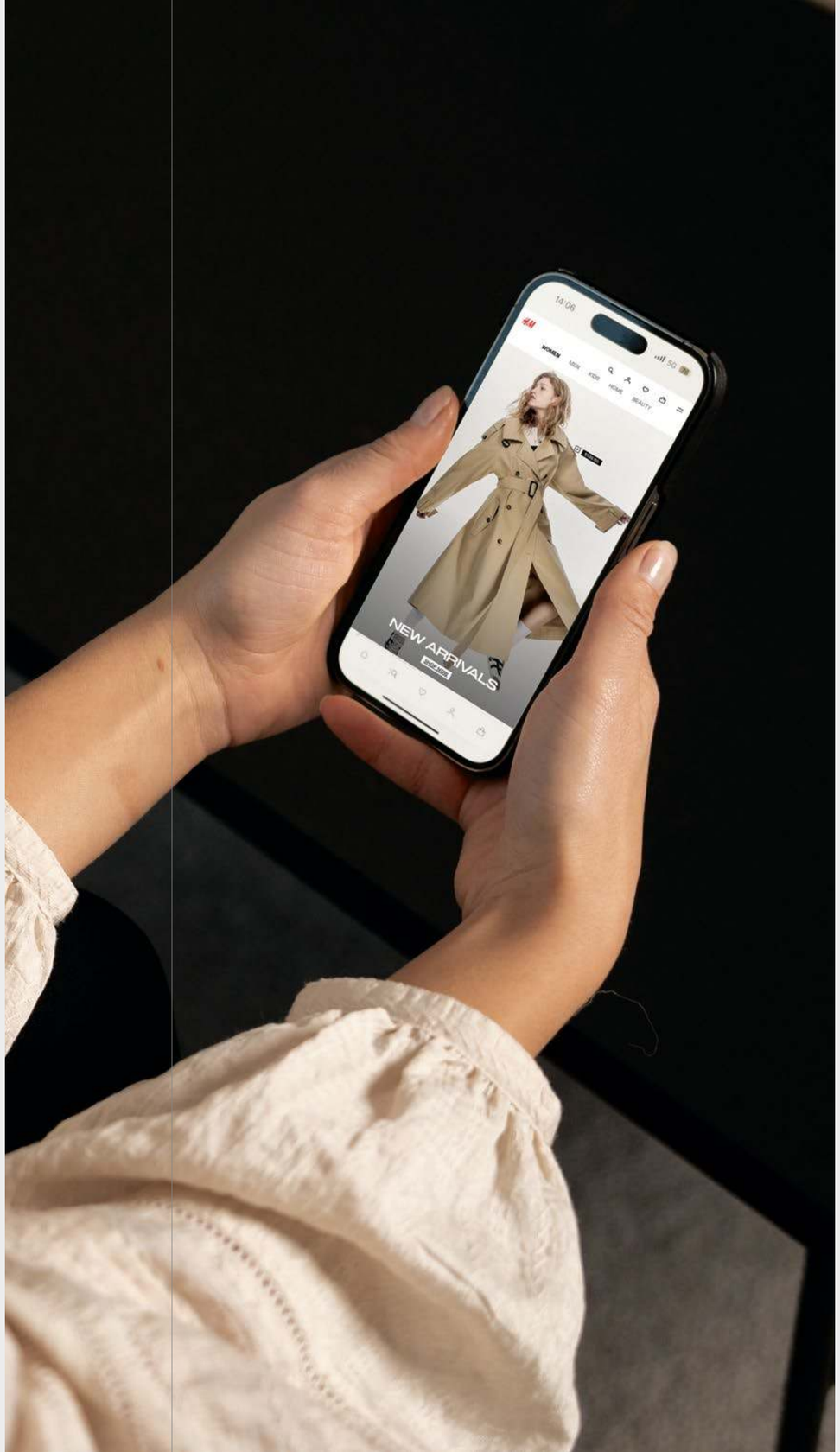
**Reducing emissions in the value chain**
Reducing our greenhouse gas emissions in the value chain is a continued focus. We work closely with our suppliers to support the transition to renewable energy, phase out fossil fuels and improve energy efficiency. Sustainability targets are integrated into our partnerships, helping suppliers achieve their own environmental targets. Our logistics infrastructure has also been upgraded to incorporate new solutions, such as solar panels and rainwater separation systems at distribution centres.

As we have a substantial need for innovative new materials, we invest in startups that support our long-term ambition to use only sustainably sourced textiles.

## H&M Foundation

The H&M Foundation is an independent non-profit foundation privately funded by the Persson family – the founders and main owners of H&M Group – that works to support the textile industry to halve its greenhouse gas emissions every decade until 2050 while ensuring a just transition for both people and the environment. This is being done through initiatives such as the Global Change Award, which supports innovations with the potential to fundamentally change the industry.

Since its inception in 2015, the Global Change Award has awarded 56 pioneering teams from 23 countries for ideas ranging from lab-grown cotton and microbial dyes to graphene fibres and test environments for waste sorting. This year's 10 award winners are from all over the world and are being recognised for solutions that advance smart recycling, heat pumps that can replace outdated oil and gas boilers, and more inclusive and circular systems in the fashion industry. Read more at hmfoundation.com.




DESIGNED AROUND
THE CUSTOMER EXPERIENCE

# A digital store with precision and personality

Over the year we have made significant progress in developing our digital presence. Strategic investment in an updated customer experience has prepared the way for our continued digital growth.

With updated technology, a new look and an improved search function, we are making the digital experience more sophisticated, paving the way for a more relevant, inspiring, efficient and personalised experience. It's about understanding each customer better – their style, needs and behaviours – and being able to meet them with the right content and assortment at the right moment.

This is where the true strength of the digital store lies: its ability to adapt quickly, be available around the clock and create experiences that feel both personal and intuitive.

By combining data, customer insights and creativity we can design a digital experience where technology and understanding work together to build long-term customer relationships.

H&M
H&M HOME
H&M BEAUTY
H&M MOVE
COS
WEEKDAY
CHEAP MONDAY
MONKI
& OTHER STORIES
ARKET
SINGULAR SOCIETY
SELLPY

OUR BRANDS

# A diverse portfolio with a passion for fashion

H&M Group is a global family of brands with a focus on fashion and lifestyle. We offer a wide range of styles and trends in fashion and accessories, beauty, sportswear and home decor.

Our brands design their own unique products to inspire and meet their customers' needs, while gaining strength from our shared values and structures. All of our brands have their own identity – but share the same passion to offer the best combination of fashion, design, quality, price and sustainability. Together they enable people around the world to be inspired and express their personal style.

## H&M
# Fashion, function and inspiration for every lifestyle

H&M offers a broad range of styles for different personalities, preferences, body types, ages, 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. The H&M brand also includes H&M HOME, H&M MOVE and H&M Beauty. H&M has 3,660 stores in 81 markets and is available online in 61 markets.

*hm.com*



# H&M Lifestyle brands

**H&M HOME**
H&M HOME is a design-led brand offering a range of products for every room in the home at the best quality and price. The range includes everything from high-quality textiles such as bed linen, towels and tablecloths to tableware and a wide selection of furniture, lighting and other items for the home. Contemporary style and attention to design, quality and trends are at the brand's core. By merging modern design and quality with 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 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 Beauty**
H&M Beauty offers a wide range of products – from its own make-up and fragrance collection to over 120 global and Scandinavian brands. Available both on hm.com and in selected stores, H&M Beauty can also be found as a shop-in-shop in various H&M stores. Five flagship stores of its own have also opened in Scandinavia since 2023.

*hm.com/beauty*

**H&M MOVE**
H&M MOVE offers sportswear where function meets fashion – for everyone who wants to move in style. Designed for an active lifestyle, the collections cover everything from yoga and pilates to gym workouts, running, racket sports and skiing. H&M MOVE offers collections for women, men and kids both online and in dedicated areas in around 2,300 H&M stores worldwide.

*hm.com/move*

## COS
# A modern wardrobe rooted in everyday luxury

COS offers a wardrobe of ready-to-wear and accessories rooted in exceptional quality and lasting design. The brand has an elevated aesthetic that embodies luxury with an emphasis on craftmanship, innovation and compelling fashion movements. Fuelled by a connection to modern culture and dynamic global cities, its considered handwriting blends contemporary with timeless – always creating with a mindful approach. COS has physical and online stores across several markets and reaches customers globally through digital channels and external partners.

*cos.com*

## Weekday
# A creative multi-space for culture and fashion

Weekday is a creative multi-space featuring Weekday, Cheap Monday, Monki, exclusive drops, second-hand products and more. A mix of culture-inspired brands that evolve with the now and embrace the many true expressions of youth, Weekday is more than fashion – it's a platform for moods, moments, and culture in motion. Weekday offers an ever-evolving online and in-store experience across several countries, connecting the next generation to style, culture and creativity.

*weekday.com*



## & Other Stories
# Thoughtfully designed to inspire individuality

Founded in 2013, & Other Stories was born out of a desire to create pieces for everyday living that inspire style and self-expression, building a wardrobe that will stand the test of time – but always being a reflection of today. & Other Stories' collections of ready-to-wear, shoes, accessories and beauty can be found online and in stores across Europe, North America, Asia and the Middle East.

*stories.com*

## ARKET
# Modern Nordic design and lifestyle destination

Launched in Stockholm in 2017, ARKET is a modern lifestyle destination offering essential collections for women, men, children and the home, along with a seasonal vegetarian café and coffee shop. Inspired by simplicity, nature and the aesthetics of slow living, the assortments feature garments, objects and food carefully made and artfully curated for a more beautiful everyday life. The brand currently has stores across Europe, China and South Korea as well as an online store. The products are available in additional markets through global selling and on selected external platforms.

*arket.com*

# Singular Society
## The world of smart luxury

Singular Society is a membership-based brand that designs, develops and manufactures luxurious products for the home and wardrobe. The products are created using uncompromising materials and exceptional craftsmanship, and are offered to members without traditional mark-ups. Singular Society's promise is to offer its members access to exceptional products with transparency, at prices far below those of traditional retail. Singular Society currently ships to the EU and Norway, and also has two stores in Stockholm.

*singular-society.com*

# New growth & ventures

New growth & ventures is H&M Group's engine for growth beyond the core business. This business area covers investments within H&M Group ventures, joint ventures, potential acquisitions and our own startups. The aim is to promote entrepreneurship, support innovation and explore new business opportunities, thereby contributing both to the development of the industry and to long-term growth at H&M Group.

The portfolio includes more than 30 companies that are working on new business models, services and enabling technologies within fashion. H&M Group not only provides capital but also acts as a long-term strategic partner, contributing expertise, synergies and industry know-how.

**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. Sellpy is currently available in 24 markets, including Sweden and Germany.
*sellpy.com*

**Smartex.ai**
Smartex.ai uses advanced AI and camera technology to automate various quality control steps in textile production. By detecting faults in real time and stopping the machine immediately, Smartex.ai reduces waste, saves costs and makes factories smarter and more efficient.
*smartex.ai*

**Syre**
Syre is focused on scaling textile-to-textile recycling, initially with focus on polyester. Supported by H&M Group and Vargas Holding, the company is driving the development towards a more future-proofed fashion industry. Syre's customers currently include Nike, Gap and Target.
*syre.com*

**A Retro Tale**
A Retro Tale specialises in selected vintage and second-hand accessories from the world's most exclusive high fashion brands. Primarily an online retailer, in spring 2025 the company opened its first store in Stockholm. A Retro Tale owns all its listed items, enabling fast deliveries and full quality control.
*aretrotale.com*

**Looper Textile**
Looper Textile Co. is a joint venture between Remondis and H&M Group that collects, sorts and reuses textiles to extend their lifecycle and reduce waste. The aim is to keep valuable materials in circulation by scaling collection of textiles and recycling infrastructure throughout Europe.
*loopertextile.com*

Sellpy, a broad digital platform for pre-loved fashion.

# Commitment and skills that make a difference

In an industry where customer interaction is crucial, our employees are our greatest strength. Guided by shared values, every day our employees contribute expertise, commitment and a sense of service to create experiences that make a difference – in store, online, in our offices and warehouses.

At H&M Group we are guided by shared values. This ensures a workplace in which the decision paths are short, where everyone works together at a fast pace and where everyone can rely on each other's knowledge and abilities. Together the values contribute to our unique corporate culture and act as a support in our daily work.

Our competitiveness is based on our employees' ability to meet customer needs, manage change and drive improvements, and we are proud to have a strong and committed team that together builds the fashion company of the future.

**Creativity and diversity build success**

Today we are around 132,000 colleagues representing over 170 nationalities and working in more than 80 markets. Building on our strong corporate culture, we focus on achieving clear leadership that encourages creativity, care and strong business results that enable employees to achieve their full potential. H&M Group offers many career paths and a wealth of opportunities.

We are resolute in upholding inclusive workplaces for all our brands and regions, where human rights are respected and where we treat each other with integrity, respect, humility and dignity. We promote diversity and equality, and do not tolerate discrimination, bullying or harassment. Respect for each individual is a core principle at H&M Group and includes a commitment to personal development for all employees.

**Continuous development through dialogue**

We strive to create and maintain healthy and safe work environments throughout our business. With preventive measures and a strong health and safety focus, employees are encouraged to take responsibility for protecting themselves, their colleagues, customers and third parties.

Over the year we continued to invest in education, leadership development and initiatives to strengthen the work environment. We encourage open and constructive dialogue where all employees can make their voices heard, contribute to engagement and create collaboration. To strengthen inclusion and togetherness, our employees can form interest groups that are open to everyone and help shape our culture.

Our annual employee engagement survey allows colleagues around the world to express their views and provide feedback. The results are used as a basis for discussion and action to enable individuals, teams and the entire business to develop and grow.

Our responsibility to people also extends beyond our teams, to the communities where we operate and the impact we have on the world around us. We believe in doing business with integrity, standing up for what is right and making choices that are in line with our values.

**A foundation for fashion of the future**

We are building a future in which fashion becomes a force for togetherness, belonging and progress. Our culture is developed with this purpose in mind, shaped by different people who think big, act with integrity and bring our shared values to life in new ways.

We want to continue to attract and develop talent and to increase diversity throughout our organisation. Through training for all colleagues and transparent competency-based recruitment, we work to ensure equal opportunities for all.

We believe that responsibility and ownership create the conditions for people to make a difference. Having diverse and flexible teams enables us to make the most of each other's knowledge, experience and ambitions, and enhances our ability to achieve our long-term goals.

Our culture is based on the idea that people play a key role in our efforts towards change, responsible business conduct and the development of fashion, both within and outside of H&M Group. Read more about our employees on pages 99–105.

# Risk



# Risk and risk management

H&M Group secures the business for future challenges and continues to create long-term value for customers and shareholders by having integrated and systematic risk management. Entrepreneurial thinking combined with a strong risk awareness and clear risk management frameworks creates the conditions for driving profitable growth over time. Investing in expertise, technology and robust processes strengthens H&M Group's resilience and its protection of assets, interests and brands as well as customers and employees. Within H&M Group, risk management is used as a strategic method to identify needs and opportunities for innovation and expansion. Through a group-wide framework and clear processes, risks are identified and managed proactively in all parts of the business.

Following a risk management system (ERM) ensures compliance with laws and internal guidelines, while at the same time promoting transparency, accountability and ethical conduct. Each brand and group function has a clear responsibility for its risks, supported by the corporate governance function that sets the framework for and monitors efforts in this respect.

H&M Group works in a structured and continuous manner to evaluate operational, financial and sustainability-related risks as regulations, technology, customer behaviour and other external factors change – both globally and locally. This is done on an ongoing basis 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.

High or critical risks are accepted only after review by the company's corporate governance function and management, and are documented thereafter.

H&M Group's work on internal control is an important part of managing risks in operating activities. Read more about this on page 56 of the corporate governance report.

The corporate governance function's duties within risk, internal control and policy management focus on establishing frameworks, managing and supporting the business, and monitoring compliance and the effectiveness of H&M Group's internal control and risk management process.

A summary of H&M Group's enterprise risks is presented to the CEO, CFO and audit committee twice a year, and to the board of directors annually. Executive management and the board receive ongoing updates on developments in geopolitical issues that affect the group. The audit committee is also updated on specific risks on an ongoing basis during the year by selected group functions. Read more about the work of the audit committee on page 53 in the corporate governance report.

## H&M Group's risk management organisation

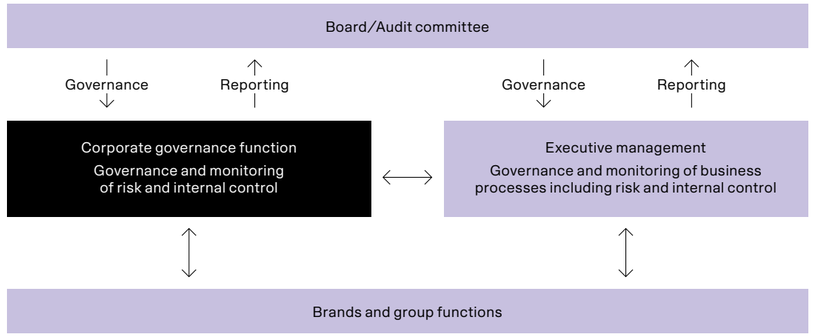



Illustration of risk management and internal control processes within H&M Group. This is an illustrative example and does not precisely reflect the organisation's functions, regions or sales markets.

**Risk in 2025**

During 2025 a number of external risks and uncertainties were identified and handled within the company's risk management processes. Most risks during the year related to external events, such as geopolitical uncertainty, decisions on tariffs, increased regulatory demands, and macroeconomic factors affecting the company's costs. Given the nature of the business, exposure to external risks is still high and will remain high as geopolitical and global events represent a risk to the global supply chain and retail setup.

**H&M Group's main risk areas and how these are principally managed**

| Risk area | Description | Management | Trend |
|---|---|---|---|
| Financial risk | Risk of negative impact on profitability and cash flow as a result of exchange rate fluctuations, credit risk and liquidity risk. | Read more in note 2 on page 152. | → |
| Trade interventions | Risk of negative impact on profitability and cash flow as a result of changes in trade rules and tariffs. | H&M Group monitors, cooperates with and adapts to developments in export/import subsidies, tariffs and textile quotas. | ↗ |
| Tax risk | Risk of tax disputes and compliance challenges due to changes in tax rules and international guidelines, as well as increased reporting requirements. | H&M Group ensures and maintains compliance with applicable rules and guidelines through its tax policy. The policy contains transfer pricing benchmarks and promotes transparency in its tax structure. Regulatory developments are monitored by internal experts and external advisors. | ↗ |
| Geopolitical risk | Risk of supply chain disruptions, increased costs or business instability as a result of conflicts, political unrest or global crises. | H&M Group continuously monitors global developments and has action plans to ensure the flow of goods and product availability, as well as to manage fluctuating raw material and freight costs. Business continuity plans in areas such as logistics and production are regularly updated to meet changing circumstances. Scenario analysis, both in business continuity planning and for crisis management, is an important part of efforts to prepare the organisation for unforeseen events. Action plans to ensure good financial planning and flexibility in goods supply have been produced, to minimise any potential impact on the supply of goods to customers and stores. | ↗ |
| Regulatory risk | Risk of non-compliance or increased costs as a result of new legal requirements, directives and customs regulations. | H&M Group works continuously to ensure good regulatory compliance through proactive monitoring, timely implementation, ongoing review of internal policy documents as well as training and internal control. Data protection officer and roles with regional responsibility ensure local alignment within the area of data privacy. | ↗ |
| Business risk | Risk of reduced sales or loss of market relevance if customer preferences change rapidly, especially linked to sustainability and digital purchasing behaviours. | To meet changing customer preferences H&M Group continues to invest in physical and digital stores, locally adapted offerings, design and data-driven analytics. Customer insights are used to rapidly manage demand within the assortment and in communications. The brand plan provides a guiding framework for the company's approach to governance, investments, collections and organisation, in order to achieve the group's shared goals. | → |
| Brand risk | Risk of negative impact on brand reputation and interests due to increased demands from legislators and stakeholders. | H&M Group ensures that communication is accurate, transparent and reliable for customers and other stakeholders. Good regulatory compliance also prevents damage to the brand. | → |
| Information security risk | Risk of data breaches, system disruptions or intentional system overloads that may impact customer trust, business-critical information and compliance. | Cybersecurity is managed through continuous improvements in data security, investments in new and improved technology, updating of procedures to meet international standards and broad training efforts. H&M Group has a clear structure for data protection and ethical AI use, with regular reporting to management and the board. | ↗ |
| Sustainability risk | Risk of negative impact on the business model, brand and supply chain if climate change, resource scarcity, human rights or corruption are not managed correctly. | Read more on pages 58–128 in our sustainability statement. | → |

# Corporate governance report

H & M Hennes & Mauritz AB (H&M Group or H&M) is a Swedish public limited company. The company's class B shares are listed on Nasdaq Stockholm. This corporate governance report relates to the financial year from 1 December 2024 to 30 November 2025 (the 2025 financial year) and is prepared by the board of directors in accordance with the Swedish Corporate Governance Code (the Code) and the Swedish Annual Accounts Act. The report has been examined by the company's auditors.

Good and effective corporate governance is crucial to ensuring that H&M Group operates in a way that is sustainable, responsible and value-creating for the shareholders. Corporate governance within H&M Group is based on compliance with external regulations, combined with internal governance tools such as the company's values, global policies and guidelines.

H&M Group operates in a large number of markets with varying legislation, environmental requirements and social conditions. This complexity underlines the importance of uniform action, guided by a strong ethical compass. Acting transparently, ethically and with responsibility in all parts of the business – from supplier to customer – is central to H&M Group's work.

The company has a long tradition of transparent reporting on both the operations and the supply chain, and of supporting its customers in making more informed choices. H&M Group works continually to improve the quality and comparability of data, systems and calculations, in close collaboration with partners and relevant stakeholders. The company's commitment to transparency and sustainability management is described in more detail in the sustainability statement on page 63.

**Corporate governance in Sweden**

H&M Group has applied the Code since 2005. The Code is based on the principle of 'comply or explain', which means that companies applying the Code may deviate from individual rules, as long as they explain how they have deviated, provide the reasons for the deviation and describe the alternative approach they have adopted. The full Code is available at corporategovernanceboard.se. During the 2025 financial year H&M Group did not deviate from the Code.

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

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

**External and internal governance**

H&M Group's corporate governance is performed in accordance with external regulations, international frameworks and internal policy 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 part of H&M Group's business idea 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
- EU Market Abuse Regulation (MAR)
- Nasdaq Stockholm Rules for Issuers
- General Data Protection Regulation (GDPR)
- Swedish Companies Act
- Corporate Sustainability Reporting Directive (CSRD)
- Swedish Corporate Governance Code (the Code)
- UN Guiding Principles on Business and Human Rights
- COSO framework for internal control and risk management

Within the area of sustainability H&M Group reports in line with existing legislation, including policies developed by the European Union, Germany (Supply Chain Due Diligence Act), Norway and the UK. More information can be found in the sustainability statement on page 63 and at hmgroup.com/sustainability.

Examples of internal control documents include the company's:

- Articles of association
- Rules of procedure for the board of directors, including instructions for the CEO and the audit committee
- Corporate governance policy, including the internal control framework
- Ethics policy
- Communications policy

- Data privacy policy
- Environmental policy
- Financial policy
- Human rights policy
- Insider policy
- 'Our way' document, which details H&M Group's values, policies and guidelines
- Responsible business conduct policy
- Social policies
- Sustainability commitment
- Tax policy
- Whistleblowing policy

**H&M Group's governance structure**
H&M Group's corporate governance structure encompasses the shareholders, the board of directors, the audit and nomination committees, the company's auditors, the CEO and executive management, the individual business areas organised by brand, employees and employee organisations.

The shareholders have overall responsibility for the company's direction. They appoint the board of directors and the chair of the board of directors at the AGM based on proposals from the nomination committee. Proposals for the composition of the board of directors, board fees and the election of auditors are prepared in advance by the nomination committee.

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

The board of directors selects individual members to serve on an audit committee. The committee oversees financial reporting, including compliance with legal requirements on statutory sustainability reporting, and the effectiveness of the company's risk management and internal control, ensuring impacts, risks and opportunities are appropriately managed. The committee is the main channel of communication between the board of directors and the auditors.

The board of directors is also responsible for appointing the CEO to oversee day-to-day management and administration of the company. The CEO appoints the members of the executive management. Accountability for implementation and performance relative to the company's strategies, policies and goals in all areas is the responsibility of the respective group functions and brands, and forms part of their performance review with the CEO.

**Shareholders and annual general meeting**
The shareholders 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 instructions for the nomination committee.

The general meeting is the company's highest decision-making body and is the forum in which shareholders exercise their right to decide on the company's affairs. H&M's annual general meeting (AGM) is held once a year, in late April or early May. The date and venue are announced in conjunction with H&M's nine-month report, as well as at hmgroup.com. The notice of the meeting is published in full four to six weeks before the meeting as a press release and in the newspaper Post- och Inrikes Tidningar and at hmgroup.com. 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 AGM may submit a written request to the board of directors at least seven weeks before the meeting. An email address for H&M is also provided in the press release for the notice of the meeting, for shareholders who wish to submit their questions in advance. All the material related to the meeting, including the minutes of the meeting, is available on the company's website in both Swedish and English. An extraordinary general meeting can be held when there is a particular need to do so.

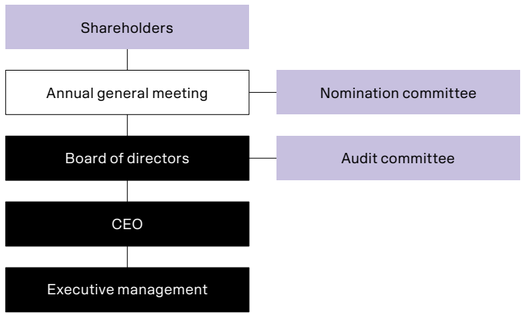
**Shareholders' decision-making powers**
Among other things, the general meeting makes decisions concerning:

- The election of members and the chair of the board of directors
- Board fees, including the compensation paid to members for work on the audit committee
- Discharging members of the board of directors and the CEO from liability
- Amendments to the articles of association
- The election of the auditors
- The adoption of the income statement and balance sheet
- The distribution of earnings for the past financial year
- The instructions for the nomination committee
- Remuneration report
- Guidelines for remuneration of senior executives
- Long-term incentive programmes
- Authorisation for the board of directors to carry out share buyback programmes

**Articles of association**
According to H&M's articles of association, H&M's board of directors is to consist of at least three and no more than 12 members elected by the general meeting and no more than the same number of deputies.

The AGM decides the exact number of members of the board of directors and which individuals are to be elected to the board of directors. Members of the board of directors are elected for the period until the close of the next AGM. The general meeting also decides on amendments to the articles of association.

## H&M Group's governance structure






**Annual General Meeting 2025**
H&M's 2025 AGM was held on 7 May in the Erling Persson Hall, Aula Medica in Solna. The option of postal voting was also provided.

A total of 1,129 shareholders were represented at the meeting, representing 91.1 percent of the votes and 81.1 percent of the capital.

The main resolutions passed were as follows.

- The lawyer Andreas Steen was elected as chair of the meeting.
- Balance sheets and income statements were adopted for H&M and for the group.
- The dividend would be paid to shareholders in two instalments, the record date for the first payment being 9 May 2025 (SEK 3.40 per share) and for the second payment 7 November 2025 (SEK 3.40 per share). The remainder of the company's earnings would be carried forward.
- The members of the board of directors and the CEO were discharged from liability for the 2024 financial year.
- The number of members of the board of directors elected by the meeting to serve until the close of the next AGM was set at eight, with no deputies.
- The following ordinary members of the board of directors were re-elected: Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Karl-Johan Persson, Helena Saxon, Christian Sievert and Christina Synnergren. Election of Klas Balkow as a new member.
- Karl-Johan Persson was re-elected as the chair of the board of directors.
- The board fees proposed by the nomination committee were approved as follows: chair of the board of directors SEK 1,960,000; members of the board of directors elected by the AGM SEK 850,000; members of the audit committee an additional SEK 220,000; and the chair of the audit committee an additional SEK 330,000.
- Deloitte AB was appointed as the auditors until the close of the 2026 AGM. Auditors' fees are to be paid based on approved invoices.
- The board of directors' remuneration report was approved.
- A reduction in the share capital, for allocation to non-restricted equity, was approved through the cancellation of the 6,050,850 class B treasury shares repurchased within the framework of H&M's buyback programme, resulting in a reduction in the share capital of SEK 777,267.988. To restore the share capital, the AGM simultaneously resolved to increase the share capital by SEK 777,267.988 through a bonus issue without issuing new shares, with the amount of the reduction being transferred from non-restricted equity.
- The board of directors was authorised to make decisions concerning the purchase of own class B shares on as many occasions as it deems appropriate in the period up to the 2026 AGM. The company's acquisition and holding of treasury shares may not exceed 10 percent of all the shares in the company. The purpose of the authorisation is to enable the board to adjust the company's capital structure and to enable purchases of shares to be used within the framework of the company's share-based incentive programme.

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

| Year | % of votes | % of capital |
|---|---|---|
| 2020 | 86.7 | 72.7 |
| 2021 | 87.8 | 74.9 |
| 2022 | 87.8 | 75.0 |
| 2023 | 89.5 | 76.9 |
| 2024 | 90.6 | 79.4 |
| 2025 | 91.1 | 81.1 |

**Number of shareholders and ownership structure**
At the end of the financial year, H&M had 199,997 shareholders. The total number of shares in H&M is 1,604,491,375, of which 194,400,000 are class A shares with 10 votes per share and 1,410,091,375 are class B shares with one vote per share. As at 30 November 2025 a total of 1,100,000 class B shares in H&M had been repurchased as part of the share buyback programme initiated by the board of directors to secure delivery of class B shares to the company's long-term incentive programme (LTIP). In addition to this, H&M had also repurchased 953,000 class B shares within the framework of the share buyback programme initiated on 21 November 2025 for the purpose of distributing surplus liquidity and thereby adjusting the company's capital structure.

H&M's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 58.0 percent of the votes, as well as 823,913,243 (764,799,715) class B shares, representing 24.6 (22.8) percent of the votes. In addition, the family privately owns 36,400,289 class B shares. This means that as at 30 November 2025, Stefan Persson and family privately and via Ramsbury Invest AB represented 83.7 (81.9) percent of the votes, excluding treasury shares, and 65.7 (61.8) percent of the total number of shares. Ramsbury Invest AB is owned by Stefan Persson and family, and primarily by Stefan Persson. Karl-Johan Persson is also a shareholder in Ramsbury Invest AB.

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

**Annual General Meeting 2026**
H&M's AGM in 2026 will be held on 5 May 2026. To register to attend the 2026 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 of directors 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 auditor of H&M Group at the 2025 AGM. The firm was appointed for a one-year term ending at the 2026 AGM. Authorised public accountant Didrik Roos from Deloitte has overall responsibility for the audit.

As in previous years, the 2025 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 on page 160.

Deloitte is a member of a global network used by most 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, Loomis AB and New Wave Group AB.

The auditors attend all meetings of the audit committee. Didrik Roos also attended the January and March 2025 board meetings to notify the board of directors of the scope and focus of the 2025 financial year audit, as well as any significant considerations arising from the audit.

In addition to this involvement, the auditors regularly meet with the chair of the board of directors, the audit committee's chair and other members, executive management 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 auditor Deloitte has provided other services, such as consulting work, primarily in respect of tax. Deloitte has internal processes to ensure its independence before embarking on these assignments.

The audit committee also has a process for approving non-auditing services before commencement. The audit committee evaluates the auditors annually to confirm the auditors' objectivity and independence.

**Board of directors**
The board of directors' role is to manage H&M's affairs in the interests of the company and all its shareholders, and to safeguard and encourage a good corporate culture. This means that the board of directors has the

overall responsibility for the company's administration, taking a long-term and sustainable approach to the customer offering and growth.

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

### Composition of H&M Group's board of directors and independence of its members

The members of the board of directors are elected by the shareholders at the AGM and for the period up to and including the next AGM. Since the 2025 AGM the board of directors has consisted of eight ordinary members elected by the general meeting, with no deputies, as well as three employee representatives and three deputies for these positions. Only the employee representatives and their deputies are employed by the company. Since the 2025 AGM the board of directors has consisted of the following members elected by the general meeting: Karl-Johan Persson (chair), Klas Balkow, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Helena Saxon, Christian Sievert and Christina Synnergren. Keith Barker, Tim Gahnström and Agneta Gustafsson are the regular employee representatives, with Therese Nordström, Sofia Almbrandt and Hans Lundamo as their deputies. Since the 2025 AGM the members of the board of directors elected by the general meeting comprise four women and four men (previously five women and three men), as Klas Balkow was elected as a new member and Stina Bergfors had declined re-election. The trade union representatives continued to comprise three women and three men. For more information about members of H&M's board of directors, see pages 50–52.

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

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

### Employee organisations

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

### Number of board meetings

H&M normally holds six regular board meetings during the financial year, one of which is the statutory board meeting. Extraordinary board meetings are held when the need arises. The CEO attends all board meetings, except when the CEO's terms of remuneration are being discussed. The CEO reports to the board of directors on the operational work within the group and ensures that ahead of each board meeting the board of directors is given relevant and objective information on which to base its decisions. The CFO also attends the board meetings to provide financial information. The board of directors is assisted by a secretary who is not a member of the board of directors.

### Members of the board of directors and 2025 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 of directors has 14 members – seven women and seven men.

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

Of the seven board meetings held in 2025, one was a constituent meeting in connection with the annual general meeting. Attendance at the board meetings was very high; see the attendance for each member of the board of directors in the table on page 49.

Generally, one or more departments or brands are invited to each meeting to give a status report 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 items of legislation.

### Work of the board of directors in 2025

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

The following are usually reviewed at each board meeting:

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

Sales, costs and efficiency within the organisation are discussed continually at the board meetings. During the year the geopolitical and macroeconomic situation remained challenging, and the effects of this on H&M Group's operations formed a key part of the board of directors' work. This includes how H&M Group has been navigating inflation, current interest rates, the competitive landscape, digitalisation, security and climate matters across areas (such as customer offering and pricing), the supply chain (for example, within production and transport), the store portfolio and omni-channel business, sustainability, technology and AI, as well as communication and marketing.

During the year the board of directors continued to address topics such as store format development and online commerce and the ongoing integration of physical and digital channels (omni), brand-building activities, the supply chain, technology, sustainability, organisational changes, capital allocation etc. Developments within the group's brands and business areas are continuously monitored at the meetings, for example by various representatives from the company presenting the work of their respective areas to the board of directors. During the year the board of directors also held two strategy days during which it reviewed and set next year's business plan.

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

As every year, in 2025 the board of directors took various decisions including approving a share buyback programme for use within the company's long-term incentive programme based on authorisation from the AGM, a proposed dividend of SEK 6.80 per share to be paid in two instalments, a proposal to the annual general meeting for updated guidelines for remuneration of senior executives, the remuneration report and decisions concerning the financial statements, as well as deciding on an investment plan, financing, a growth plan and targets.

In 2025 the board of directors resolved to implement an internal audit function for 2026. An internal auditor role has been appointed for the purpose of conducting independent internal audits. The role reports functionally to the audit committee.

Ahead of the 2026 AGM, the board of directors is presenting a remuneration report for 2025 in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board. The remuneration report describes how the guidelines for remuneration within H&M adopted at the 2025 AGM were applied in the 2025 financial year. The remuneration report for 2025 is available at hmgroup.com/about-us/corporate-governance/remuneration.

H&M does not have a remuneration committee since the board of directors deems it more appropriate for the entire board of directors to carry out the tasks of a remuneration committee, which is entirely in accordance with requirement 7.4 of the Code. The board of directors prepares the proposed guidelines for remuneration to senior executives that are presented at the AGM, and it is the board of directors that decides on the CEO's salary in accordance with the latest guidelines adopted at the AGM. The board of directors continually assesses the CEO's work and once a year discusses this matter alongside setting of the CEO's remuneration for the coming year. No member of executive management is present when this is discussed.

The board of directors continually evaluates its work, and the chair of the board of directors is in regular contact with members of the board of directors between meetings as part of the board of directors' work and its evaluation process. The evaluation covers working methods, the working climate, wishes and the main focus of the board of directors' work. As a complement to this, a board evaluation in the form of a questionnaire was also carried out in 2025.

In addition to contributing to continuous improvement, the evaluation also aims to identify access to and the need for specialist expertise within the board. The evaluation is used as a tool for how the board of directors is to operate and additionally forms a basis for the work of the nomination committee.

### Nomination committee

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

Before each AGM the nomination committee's report is available to read as a separate document at hmgroup.com/corporategovernance. The composition of the nomination committee is based on the instructions for and proposed composition of the nomination committee adopted at the 2022 AGM, which apply until a general meeting of shareholders resolves otherwise. The nomination committee is to consist of the chair of the board of directors plus four others nominated by the four largest shareholders in terms of voting rights, as set out in the register of shareholders on the last banking day of August.

In autumn 2025 the nomination committee thus consisted of:

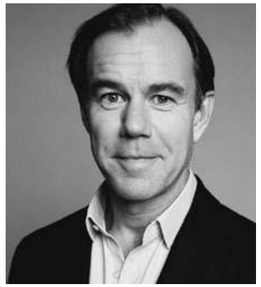
- Karl-Johan Persson, chair of the board of directors
- Stefan Persson, Ramsbury Invest AB
- Lottie Tham
- Anders Hansson, AMF Tjänstepension and AMF Fonder
- Karin Eliasson, Handelsbankens fonder

**Composition of the board of directors and attendance at meetings in the 2025 financial year**

| Name | Year elected | Independent[1] | Independent[2] | Fees (SEK)[3] | Board meetings[4] | Audit committee[12] | Share-holdings[5] | Shares held by related parties |
|---|---|---|---|---|---|---|---|---|
| Karl-Johan Persson, chair | 2020 | Yes | No | 1,900,000 | 7/7 | | 12,136,289 | Shareholder in Ramsbury Invest AB[6] |
| Stina Bergfors[7] | 2016 | Yes | Yes | 825,000 | 2/3 | | 9,000 | 6,000[7] |
| Anders Dahlvig | 2010 | Yes | Yes | 1,035,000 | 7/7 | 2/2 | 17,510 | |
| Danica Kragic Jensfelt | 2019 | Yes | Yes | 825,000 | 7/7 | | 2,500 | 120 |
| Lena Patriksson Keller | 2014 | Yes | Yes | 825,000 | 7/7 | | | 1,200 and 9,450[8] |
| Helena Saxon | 2024 | Yes | Yes | 1,035,000 | 6/7 | 5/5 | 5,000 | |
| Christian Sievert | 2010 | Yes | No[9] | 1,140,000 | 7/7 | 5/5 | 106,000 | 2,400[10] |
| Christina Synnergren | 2023 | Yes | Yes | 825,000 | 7/7 | 3/3 | 34,475 | |
| Klas Balkow[11] | 2025 | Yes | Yes | | 4/4 | | 4,000 | |
| Keith Barker, employee rep. | 2024 | | | | 7/7 | | | |
| Tim Gahnström, employee rep. | 2021 | | | | 5/7 | | | |
| Agneta Gustafsson, employee rep. | 2022 | | | | 7/7 | | | |
| Sofia Almbrandt, deputy employee rep. | 2024 | | | | 2/7 | | | |
| Hans Lundamo, deputy employee rep. | 2024 | | | | 4/7 | | | |
| Therese Nordström, deputy employee rep. | 2024 | | | | 1/7 | | 380 | |

1. Independent of the company and company management in accordance with the Swedish Corporate Governance Code.
2. Independent of major shareholders in the company in accordance with the Swedish Corporate Governance Code.
3. Fees as resolved at the 2024 AGM. This means that the fees related to the period until the next AGM, i.e. for the period 3 May 2024 to 7 May 2025. The amounts were paid out after the 2025 AGM.
4. Attendance via technology is equated with attendance in person.
5. There are no outstanding share- or share price-related incentive programmes for the board of directors.
6. Ramsbury Invest AB owned 194,400,000 class A shares and 823,913,243 class B shares as of 30 November 2025.
7. Stina Bergfors was a member of the board of directors up to and including the annual general meeting held on 7 May 2025, when she left the board. The table shows Stina Bergfors's holdings as of 7 May 2025, when 6,000 shares were held by her spouse.
8. 1,200 shares owned through Lena Patriksson Keller's private company Verdani Holding AB. 9,450 shares are held by spouse and children.
9. Christian Sievert is considered dependent in relation to Ramsbury Invest AB since Ramsbury Invest AB is a major shareholder in a company of which Christian Sievert is CEO.
10. Shares held by related parties: 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. Klas Balkow was elected as a new board member at the annual general meeting on 7 May 2025.
12. Following the 2025 AGM, the audit committee consists of Helena Saxon, Christian Sievert and Christina Synnergren. Until the 2025 AGM, Anders Dahlvig was a member of the audit committee.

# Board of directors



**KARL-JOHAN PERSSON**
Chair of the board
Born 1975

**Primary occupation**
Chair of the board of directors of H&M Group.

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

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

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

**KLAS BALKOW**
Board member
Born 1965

**Primary occupation**
Board assignments.

**Other significant board assignments**
Member of the board at Axel Johnson AB and of the Swedish Armed Forces' oversight council.

**Education**
Diploma in Engineering (Upper Secondary Level), SSE Executive Education.

**Professional experience**
Former CEO of Axfood, Clas Ohlson and Aximage. Has also held senior positions at Procter & Gamble in the Nordic region and the USA, as well as at Bredbandsbolaget.

**ANDERS DAHLVIG**
Board member
Born 1957

**Primary occupation**
Board assignments.

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

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

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

**LENA PATRIKSSON KELLER**
Board member
Born 1969

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

**Other significant board assignments**
Member of the boards of directors of Elite Hotels, Wanås Art Foundation, Jeanerica AB and Maria 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.

**CHRISTIAN SIEVERT**
Board member and member of the audit committee
Born 1969

**Primary occupation**
CEO of AB Max Sievert.

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

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

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

**CHRISTINA SYNNERGREN**
Board member and member of the audit committee
Born 1978

**Primary occupation**
Board assignments.

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

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

**Professional experience**
Christina has 20 years of experience from management consulting firm BCG (Boston Consulting Group), most recently as managing director and senior partner. She has also held several other leadership positions within BCG, including roles in the global Fashion & Luxury and Retail leadership teams, as well as being a member of BCG's Executive Committee – the decision-making body responsible for managing the entire firm globally. Christina left BCG before H&M's 2023 annual general meeting at which she was elected to the board of directors.

**HELENA SAXON**
Board member and chair of the audit committee
Born 1970

**Primary occupation**
Board assignments.

**Other significant board assignments**
Vice chair of the board at Stockholm School of Economics. Helena is also board member at AB Max Sievert.

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

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

**DANICA KRAGIC JENSFELT**
Board member
Born 1971

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

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

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

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

**KEITH BARKER**
Employee representative,
on H&M Group board since 2024.
Born 1961
Joined H&M in 2007

**Current position**
IT architect

**TIM GAHNSTRÖM**
Employee representative,
on H&M Group board since 2021.
Born 1979
Joined H&M in 2015

**Current position**
Solution Architect
(Business Tech), H&M

**AGNETA GUSTAFSSON**
Employee representative,
on H&M Group board since 2024.
Deputy employee representative
on the board 2022–2024
Born 1969
Joined H&M in 1988

**Current position**
Sales advisor, H&M Jönköping

**SOFIA ALMBRANDT**
Deputy employee representative,
on H&M Group board since 2024.
Born 1979
Joined H&M in 2008

**Current position**
Data engineer

**HANS LUNDAMO**
Deputy employee representative,
on H&M Group board since 2024.
Born 1965
Joined H&M in 1987

**Current position**
Sales advisor, H&M Hudiksvall

**THERESE NORDSTRÖM**
Deputy employee representative,
on H&M Group board since 2024.
Born 1988
Joined H&M in 2011

**Current position**
Pattern maker



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

**Work of the nomination committee in preparation for the 2025 AGM, including description of diversity policy for the board of directors**
Before the 2025 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 of directors ahead of the 2025 AGM, the nomination committee studied the report by the chair of the board of directors on the work of the board of directors. The board of directors' work has functioned well over the course of the year, with great commitment from the individual members. The report by the chair of the board of directors, along with interviews conducted with members of the board of directors elected by the general meeting, also informed the nomination committee's proposal to the 2025 AGM regarding the composition of the board of directors.

The different competencies of board of directors' members are complementary, which contributes to a good whole. There has been a high level of attendance at board meetings and the members show great commitment, both at and between the meetings. The nomination committee endeavours to ensure that the board of directors consists of individuals with a high level of expertise and integrity, while at the same time ensuring that the board of directors has a good and appropriate mix of experience and expertise in order to meet H&M Group's present and future opportunities and challenges.

The nomination committee's proposal to the 2025 AGM was to re-elect the following members of the board of directors: Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Karl-Johan Persson, Helena Saxon, Christian Sievert and Christina Synnergren; and to elect Klas Balkow as a new member of the board of directors, as his expertise and background are seen as contributing valuable input to the work of the board of directors. Stina Bergström had declined re-election. The nomination committee also proposed the re-election of Karl-Johan Persson as chair of the board of directors.

The nomination committee judged that the proposed board of directors complied well with section 4.1 of the Code, which the nomination committee uses as the standard in relation to diversity policy. The policy aims to ensure that the proposed board of directors exhibits the required diversity and breadth of qualifications, experience and background, as well as gender balance. The nomination committee has continued to stress the importance of gender balance, and H&M's board of directors has had a good gender balance for many years. The members of the board of directors proposed for election by the general meeting were four women and four men.

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

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

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

Regarding the composition of the audit committee, section 7.2 of the Code states that the majority of the committee's members are to be independent of the company and its management. At least one of the members of the board of directors who is independent of the company and its management must also be independent of the company's major shareholders. The chair of H&M's audit committee is independent of the company and its management, as are the other two members of the committee. Two of the three members, including the chair of the audit committee, are also independent of the company's major shareholders. Between the 2025 AGM and the end of 2025, the nomination committee held one meeting at which minutes were taken. The committee was also in contact at other times.

In autumn 2025 the nomination committee began its review, starting with information from the chair of the board of directors concerning the functioning of the board of directors during the year. It was established that the board of directors and its work have functioned well. In the period up until the proposals to the 2026 AGM are presented, the nomination committee will discuss the size and composition of the board of directors based on such factors as expertise, experience and the outlook for the company, the election of a chair of the board of directors and a chair of the general meeting, fees for members of the board of directors, the instructions for the nomination committee and the election of auditors. The nomination committee's work in preparation for the AGM in May 2026 is not yet complete; more information will be presented before and at the 2026 AGM.

**Audit Committee**
The audit committee oversees H&M Group's financial reporting and sustainability reporting, and the effectiveness of the company's risk management and internal control, ensuring impacts, risks and opportunities are appropriately managed. The committee oversees all auditing topics and the publication of the company's financial reports and sustainability report.

The audit committee also assists the nomination committee with any proposals to the AGM concerning the election of auditors. The audit committee reviews and monitors the impartiality and independence of the auditors and determines which assignments the accounting firm may conduct for H&M Group in addition to the audit. The auditors provide an annual written statement to the audit committee providing assurance of the auditors' independence and outlining which additional services the accounting firm has provided to H&M Group during the financial year. The audit committee comprises three members of the board of directors with expertise in accounting or auditing. The audit committee is appointed annually by the board of directors at the statutory board meeting held in conjunction with the AGM.

Since the 2025 statutory meeting, Helena Saxon has served as chair of the audit committee with Christian Sievert and Christina Synnergren as members. All three are independent of the company and its management. Helena Saxon and Christina Synnergren are independent of the company's major shareholders. Christian Sievert is not considered independent of the company's major shareholder, Ramsbury Invest AB, since Ramsbury Invest AB is a major shareholder in a company of which Christian Sievert is CEO.

The committee held five minuted meetings during the 2025 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, as well as the group's sustainability reporting. The meetings were also attended by, among others, the CFO, the chief accountant, the head of investor relations and the head of corporate governance. Minutes from the committee's meetings were distributed to all members of the board of directors.

During the year the audit committee addressed the following matters, among others:

- The company's financial reporting, including interim reports, and the corporate governance report as part of the annual and sustainability report.
- Compliance and effectiveness of H&M Group's internal control and risk management processes and review of its enterprise risks.
- Information provided by the following functions and departments on their work: security, law, controlling, sales, expansion, finance and tax, as well as business tech, including specific cybersecurity issues.
- Financial planning, tax matters and issues concerning tariffs that affect the business.
- The yearly report on data privacy.
- Follow-up on H&M Group policies.
- Review of the company's annual reporting cycle including close follow-up of the work on reporting under the Corporate Sustainability Reporting Directive, information from Deloitte on the audit plan, the scope of the audit and the results of the review.
- Review of the auditors' independence and impartiality.

# Executive management[1]

**DANIEL ERVÉR**

CEO since 2024
Years at H&M 2006–present
Born 1981
Shareholding: 85,896[2]

Daniel was appointed CEO of H&M Group on 31 January 2024. Prior to this, he led the H&M brand for four years, a responsibility he continues to hold today. Daniel has worked in several key positions, including Country Manager for Sweden, Head of Merchandising in the US and Sales Controller in Germany, and has been responsible for both H&M Womenswear and Menswear. Daniel studied at the University of Gothenburg and ESSEC Business School in Paris, and holds a master's degree in business administration.

**ADAM KARLSSON**

CFO since 2020
Years at H&M 2003–present
Born 1976
Shareholding: 45,050[3]

Adam joined H&M as Business Controller in 2003 and has since held several senior roles within finance and controlling. His experience includes leading controlling teams at the H&M brand, as well as Global Production and Global Expansion. He has worked in Sweden and China. Adam holds a master's degree in economics and business from the Stockholm School of Economics.

**ÅSA AGEBÄCK**

Chief Human Resources Officer since 2024
Years at H&M 2018–2021, 2023–present
Born 1981
Shareholding: 2,000

Åsa first joined H&M in 2018. Throughout her career she has held various roles within human resources, including leadership positions at EQT, Nordea and Ericsson. Today, she leads the People Organisation at H&M Group. Her previous positions at the company include Head of HR at Global Marketing. Åsa holds a master's degree in human resource management from Stockholm University.

**LEYLA ERTUR GENC**

Chief Sustainability Officer since 2021
Years at H&M 2000–present
Born 1974
Shareholding: 2,330

Leyla joined H&M in 2000 and has held numerous leadership roles across production, supply chain and sustainability, working in Bangladesh, China and Türkiye. Since 2021 she has led H&M Group's global sustainability efforts. Leyla is also co-chair of The Fashion Pact's Operations Committee. She holds a bachelor's degree in business administration from Bilkent University in Türkiye.

**KRISTINA FELIXON**

Chief Product Officer since 2025
Years at H&M 1993–present
Born 1971
Shareholding: 9,000

Kristina joined H&M in 1993 and brings over 30 years of experience from across the company to her current role leading the teams in the Product Organisation. She has worked closely with all our customer groups. Kristina has held several senior positions at H&M, including recent roles as Managing Director of Womenswear, Head of Assortment for Womenswear and Head of Assortment for Childrenswear.

**HENRIK KROON**

Chief Commercial Development Officer since 2025
Joined H&M in 2010
Born 1982
Shareholding: 5,002

Henrik joined H&M in 2010 and leads the Commercial Development and Growth teams. He has held various leadership roles across the company, including General Manager of H&M MOVE, Country Controller for H&M Canada, Head of Customer Experience at Weekday and several others within our Expansion team. Henrik holds a bachelor's degree in business administration from the University of Gothenburg.

**MEHMET ARISOY**

Chief Sales Officer since 2024
Years at H&M 2005–present
Born 1984
Shareholding: 6,350

Mehmet has been with H&M for more than two decades, starting his career as a sales advisor in store in Switzerland. More recently, he has held various leadership roles across Europe, including Regional Manager and Country Manager. He now leads our regional sales teams. Mehmet holds qualifications in retail and sales.

**ANNA ATTEMARK**

CEO of Portfolio Brands since 2018
Years at H&M 1994–2011, 2018–present
Born 1968
Shareholding: 14,105

Anna first joined H&M in 1994 och has held several leadership roles, such as Head of Business Development in the Buying Office. She also served as CEO at Odd Molly and has held board positions at XXL Sport & Vildmark and Karl Hedin. In 2018 she started her current role leading the portfolio brands at H&M Group. Anna holds a master's degree in economics and business from the Stockholm School of Economics.

**JOHN EHRNST**

Chief Marketing Officer (acting) since 2025
Years at H&M 2006–2018, 2025–present
Born 1979
Shareholding: 5,150[4]

John first joined H&M in 2006 and has worked in a range of roles, including Regional Sales Director, Country Manager and Head of Brand Strategy in the US, as well as Sales Manager in South Korea and Japan. In 2025 he took up his current role, leading our marketing teams. He has also run his own branding agency and was CEO Americas at Daniel Wellington. John served on the board of Filippa K from 2020 until 2025 and holds a master's degree in economics and business from the Stockholm School of Economics.

**JOHAN LUNDGREN**

Chief Strategy & Innovation Officer since 2024
Years at H&M 2008–2021, 2024–present
Born 1983
Shareholding: 15,000

Johan first joined H&M in 2008 and started his current role in 2024, leading strategy and innovation. Prior to this he was Chief Operating Officer at Fortnox. Before that, he spent over a decade at H&M, working across sales, business development and operations in both global and local teams. Johan holds a master's degree in industrial and financial management from the University of Gothenburg.

**ELLEN SVANSTRÖM**

Chief Digital Information Officer since 2023
Years at H&M 2016–present
Born 1973
Shareholding: 2,280

Ellen joined H&M in 2016 and has a long background in tech. During her time at the company she has held several positions including Head of Business Ventures and Head of Group Strategy. Her previous experience includes CEO of Extenda and several global leadership positions at IBM. Ellen holds a master's degree in business administration from Skema Business School in France.

1. As at 30 November 2025. The latest available information about the executive management can be found on hmgroup.com/about-us/corporate-governance/company-management.
2. 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 15 February 2024.
3. Adam Karlsson also holds 340,000 call options issued by Ramsbury Invest AB, with each option providing the right to buy one class B share in H&M during the 12-month period following the expiry of a three-year agreement dated 15 February 2024.
4. John Ehrnst holds shares via 25,000 American Depository Receipts (ADR), equal to 5,000 class B shares in H&M.

The audit committee has an established procedure for approval of any non-auditing services provided by the auditors. The procedure is applied before any such service can be delivered. The audit committee agreed it was clear which assignments Deloitte had taken on in addition to auditing and found no reason to question the accounting firm's impartiality. H&M Group also uses consulting services from other accounting firms and tax advisors.

**CEO**
The CEO is appointed by the board of directors and reports on H&M Group's development to the board of directors. The CEO is responsible for the daily management of the company as directed by the board of directors. This includes:

- Recruitment of senior executives
- Buying, production and logistics matters
- Customer offerings
- Pricing strategy
- Sales and profitability
- Sustainability
- Marketing
- Company growth and expansion
- Digital development
- Development and further integration of the store and online channels

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

Daniel Ervér, born 1981, has been CEO of H&M Group since 31 January 2024. Daniel Ervér has worked within H&M Group for 19 years in various roles in different parts of the company, most recently as head of H&M, which is the largest brand within H&M Group. Since Daniel Ervér was appointed as CEO, he continues to be operationally responsible for H&M.

Daniel Ervér holds 85,896 shares in H&M. He also holds 450,000 call options issued by Ramsbury Invest AB, with each option providing the right to buy one class B share in H&M during the 12-month period following the expiry of a three-year agreement dated 15 February 2024.

**Organisation and management**
H&M Group is a matrix organisation with a diverse portfolio of brands that includes H&M – with H&M HOME, H&M MOVE and H&M Beauty – as well as portfolio brands comprising COS, Weekday – inclusive of Cheap Monday and Monki – & Other Stories, ARKET and Singular Society. The group also includes several ventures such as Sellpy, Looper Textile Co. and smartex.ai.

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

The CEO is responsible for day-to-day management of H&M Group and appoints the members of executive management. Executive management is responsible for the company's strategic direction and decisions on key matters. The members work across disciplines along with their teams in order to drive results and follow up on performance in line with H&M Group's direction and long-term targets. The executive management is appointed by and reports directly to the CEO. As at 30 November 2025 there were 11 members of executive management, including the CEO, made up of six men and five women. Executive management comprises the CEO, CFO, chief human resources officer, chief sales officer, ceo of portfolio brands, chief marketing officer, chief sustainability officer, chief product officer, chief commercial development officer, chief strategy & innovation officer and chief digital information officer. The individuals responsible for other group functions – if they are not part of the executive management team – are appointed by the CEO or CFO.

**Read more**
Read more about H&M Group's corporate governance at hmgroup.com/about-us/corporate-governance, which contains the following information 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, executive management, auditors and audit committee
- Information on the nomination committee
- Previous corporate governance reports

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

H&M Group's internal control framework is based on the internationally recognised COSO framework. The company's internal control framework and control environment are based on the five components of the 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 within H&M Group. It consists primarily of the company's ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and related guidelines and instructions, as well as routines. It is underpinned by the culture that the board of directors and management create and communicate.

Steering documents, such as internal policies, guidelines and manuals, are particularly important, giving employees solid guidance on the way the company operates. The 'Our way' document summarises the company's values, policies and guidelines and how they shape H&M Group's way of doing business, to ensure that the operations are run in a way that is ethical, transparent, responsible and sustainable. '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 and in the sustainability statement on page 118.

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

- The division of responsibilities between the board of directors, the audit committee and the CEO, which is clearly described in the board of directors' formal rules of procedure
- Regular reports from executive management and the audit committee to the board of directors, according to established routines
- The company's organisational structure
- The company's values, guidelines, policies and manuals
- Control activities, checks and balances, analysis and reporting

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

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

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

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



**Control activities**
There are several control activities built into the business processes to support business efficiency and accurate financial and sustainability reporting. These control activities are designed to prevent, find and correct inaccuracies and non-compliance. Control activities can exist at all levels and in all parts of the organisation. Within H&M Group, control activities include effective control and analysis of sales statistics, account reconciliation, monthly accounts, financial and sustainability reports as well as systems relating to financial and sustainability reporting. In 2025 the company worked to establish and implement a framework for internal control over sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD). Read more about internal control over sustainability reporting on page 65.

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

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

Within the production organisation there is also a sound, regular control and monitoring process for internal routines, which helps to ensure the company does business in an ethical and transparent way. Most of the activities are monitored monthly at a regional level and every other month at a global level. Internal store auditors perform annual checks at a subset of stores to identify strengths, weaknesses and corrective actions.

As a complement to the internal control work performed, additional reviews of specific areas have been conducted by external audit firms. Overall, the results have been satisfactory and where findings have been identified corrective actions have been put in place. The board of directors and the audit committee continually evaluate information provided by the executive management team on company operations, including information on the efficiency of internal control procedures and activities. This work includes, among other things, ensuring that necessary actions are taken in action plans regarding observations in reviews. This monitoring work maintains awareness of the importance of effective internal control and supports continuous improvement within the group.

In 2025, 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.

During the year, work on internal control over sustainability reporting was also developed. Read more about this work on page 65 in the sustainability statement.

**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

More information on specific policies can be found in the sustainability statement on page 120.

**Risks and uncertainties**
Operational, financial and sustainability risks are continuously analysed by all brands and group functions in a coordinated and integrated process. The risk management process and way of working is set by the corporate governance function and established through the company. This process of risk review and assessment identifies the systems, methods and controls required to minimise any impact from identified risks. For the most significant issues, the corporate governance function manages a quarterly review of risk level and ensures that associated mitigation plans are generated.

A summary of the group's enterprise risks is presented to the CEO, CFO and audit committee twice a year and to the board of directors annually.

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

Financial risk is related to the use of economic funds and financial resources and includes foreign currency fluctuations, taxes and various regulations and ordinances. Operational risk mainly comprises internal business risk and external events which may affect the group. It includes sustainability risk, which is identified through a systematic approach to human rights and environmental due diligence. This is an ongoing process to identify, prevent, mitigate and remedy potential and actual negative impacts on people, while leveraging opportunities to advance their rights. Read more about risk and risk management on page 41.

During 2025 a number of external risks and uncertainties were identified and handled within the company's risk management processes. In 2025 most risks were related to external events, such as geopolitical uncertainty, increased regulatory demands, and macroeconomic factors affecting the company's costs, rather than to internal operational risk. Given the nature of the business, exposure to external risks is still high and will remain high as geopolitical and global events represent a risk to the global supply chain and retail setup.

## Internal audit

In November 2025 the board of directors of H&M Group decided to introduce an internal audit function for the group. The purpose is to continue to strengthen the company's work on internal control, risk management and corporate governance. Internal audit is an independent and objective review and advisory function that contributes to creating value and improving the business.

The internal auditor will start with a risk-based audit plan adopted annually by the board's audit committee.

The results of internal audits carried out are reported to the audit committee and shared with executive management to ensure that the necessary actions are taken. The internal auditor has a functional reporting line to the audit committee and an administrative reporting line to the head of corporate governance.

Stockholm, 19 March 2026

The Board of Directors

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# Our progress

We exist to Liberate fashion for the many. To deliver on this purpose and meet our customers' expectations, we aim to offer fashion and quality at the best price in a sustainable way. This means decoupling growth from resource use, empowering people and communities, and driving change within our industry.

Over time, we have systematically integrated the sustainability perspective into our core strategies, governance, and key decisions across our business and the value chain. This approach enables us to manage risks, capture opportunities, and create long-term value for both our customers and our business.

By translating long-term sustainability commitments into purposeful actions, we have achieved measurable progress. Investments in collaboration, resource efficiency, and innovation allow us to scale solutions that support more changes in production and consumption.

Our progress in 2025 demonstrates how integrating sustainability into the business drives tangible results and contributes directly to our continued success.

## Leader

CDP recognises H&M Group as a global leader in both climate and water stewardship.

## 10 year

anniversary of our global framework agreement with IndustriALL advancing labour rights

"

When business and sustainability go hand in hand, we reduce emissions on a large scale – and show that fashion can be both affordable and have a lower climate impact.

Daniel Ervér, CEO

## No. 1

H&M Group is once again ranked as an industry leader in climate in the *What Fuels Fashion* Transparency Index.

# Decoupling growth

By reducing our dependence on critical and finite resources such as material, water and energy, we are working towards decoupling our growth from resource use and ensure we contribute to limiting global warming to 1.5°C. To achieve this, we are increasing the use of certified, recycled and sustainably sourced materials, while improving resource efficiency across our own operations and value chain.

In 2025, we continued to increase the share of recycled and sustainably sourced materials in our commercial products and packaging. We have also continued to reduce our greenhouse gas emissions. Compared to 2019, our absolute Scope 3 emissions have declined by 34.6 percent, which is in line with the science based targets we have set for 2030.

MATERIALS

**91%**

recycled or sustainably sourced materials in commercial products

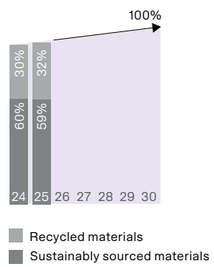
Target 100% by 2030

**32%**

recycled materials in commercial products, which means that we reached our target for 2025

Target 30% by 2025

### Recycled and sustainably sourced materials




The graph shows the share of our commercial products that are made from recycled or sustainably sourced materials. The target concerns commercial products in 2030. For definitions, see 'Resource use and circular economy' on pages 88–93.

CLIMATE

**–34.6%**

reduction of absolute GHG emissions Scope 3 vs 2019[1]

Target –56% by 2030

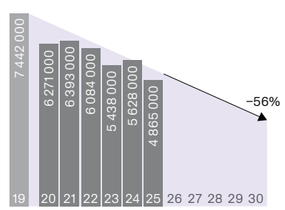
1. Excluding use-phase

**–108**

reduction of Tier 1, 2 and 3 factories using on-site coal boilers since 2022

Target full phase-out 2026

### Absolute Scope 3 GHG emissions (tonnes $CO_2e$)




The graph shows year-on-year progress towards our 2030 target. Our Scope 3 GHG emissions (excluding use-phase) have been decreasing over time in line with the set targets, although some variation in the progress for each year is to be expected on the journey towards the 2030 target.

WATER

**–23%**

reduction of absolute freshwater usage in Tier 1 and 2 vs 2022

Target –30% by 2030



# Empowering people and communities

By advancing human rights and addressing negative impacts on people and the environment in our own operations and across our value chain we take social and environmental responsibility. This includes actions to protect the health and well-being of our customers, our co-workers, and everyone working within the textile and fashion industry. We engage in close dialogue with our key stakeholders to prioritise actions that advance human rights and support access to a clean and healthy environment for all. In 2025, 92.6 percent of chemicals in Tier 1 and 2 production units were assured to meet ZDHC MRSL[1] requirements, contributing to improved chemical management in our supply chain. We have also ensured that all workers in Tier 1 factories have access to to grievance and dispute resolution mechanisms.

SOCIAL

**1.1 m**

number of workers in our Tier 1 factories, 59 percent of whom were women

**100%**

of workers in Tier 1 factories have access to grievance and dispute resolution mechanisms

ENVIRONMENTAL

**100%**

of Tier 1 and 2 factories with discharged water quality that meets the ZDHC wastewater guidelines

# Driving change within our industry

To drive change within our industry, we invest in innovative solutions and new technologies together with our suppliers and business partners. In addition, we actively participate in multi-stakeholder initiatives and industry platforms to shape standards, influence policy, and scale ideas that benefit the entire textile and fashion industry. By quickly identifying new trends and adapting our business model, we can offer a relevant range of products and services that create long-term value for both our customers and society at large. In 2025, we continued our investments into decarbonisation and the revenue for our resale offering has continued to increase. This ongoing work drives the shift toward a circular economy for fashion and reshapes the way clothing is produced and consumed.

PARTNERSHIPS

**WWF**

Renewed partnership jointly addressing key environmental impacts, focusing on water, biodiversity and climate transition

RESALE

**1,844**

SEK m total turnover from resale

INVESTMENTS

**2,832**

SEK m invested in decarbonisation and material innovation

1. Zero Discharge of Hazardous Chemicals Manufacturing Restricted Substances List.

# General information

The purpose of our sustainability strategy and steering model is to ensure that we work towards decoupling growth by cutting emissions and reducing the use of virgin materials and water, empowering people and communities, and driving change within our industry. To achieve this we have integrated sustainability into our strategic business decisions and long-term planning.



# Our approach to sustainability

**Basis for preparation of the sustainability statement**
H&M Group's[1] sustainability statement is prepared on a consolidated basis according to the same principles as the financial statement disclosed on page 3. All information included in the sustainability statement is based on the results of our double materiality analysis covering sustainability-related impacts, risks and opportunities in our own operations as well as our upstream and downstream value chain. Our policies, actions and targets related to material sustainability areas cover our own operations and are extended to our upstream and downstream value chain where relevant. The sustainability statement has been prepared in accordance with the requirements on statutory sustainability reporting in the Swedish Annual Accounts Act, the European Sustainability Reporting Standards (ESRS) and the EU Taxonomy Regulation, and we have not omitted any information based on intellectual property, know-how, or the results of innovation. More information about the disclosure requirements adhered to in the sustainability statement is presented on page 123.

**Disclosures in relation to specific circumstances**
We use a mix of primary data, secondary sources and modelled data. Where direct measurement is unavailable, particularly in parts of the value chain, we apply estimates and proxies based on recognised industry initiatives, supplier inputs, independent data providers or conservative assumptions. We reassess estimates regularly and recognise changes in the period of revision.

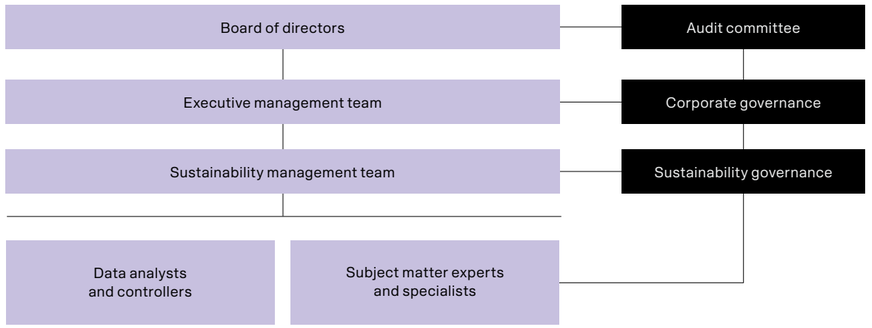
Metrics with the highest measurement uncertainty include GHG emissions in Scope 3 categories 1 and 4 due to modelling complexity, and categories 5, 11, 12 and waste generated in own operations due to limited downstream traceability. Where metrics are validated by an external body other than our external auditor, we identify that body at first mention or in the 'Assumptions and accounting principles' section. Sources of uncertainty include supplier primary-data coverage, emission-factor variability, allocation rules for product and packaging composition and assumed use-phase and end-of-life scenarios. Key assumptions and approximations include industry emission factors, average product lifetimes, collection and sorting yields and allocation keys for multi-material articles. Where feasible, error-margin ranges are reported in the 'Assumptions and accounting principles' section.

In 2025, we identified an error in the reporting of Tier 1 production units with Health & Safety Committees for 2024 that has been corrected in this year's report. We have also aligned the observation period for commercial materials with the financial year and excluded textile labels from the scope of the total packaging volume, see details on page 88. We continually work to improve estimation methods for GHG emissions and this year Scope 3 categories 1, 4, 5, 6 and 12 have been updated, see details on pages 80–81. For these results prior-period figures have been revised and the difference between the figure disclosed in the preceding period and the revised comparative figure is disclosed in connection to the result.

We have adhered to the time horizons specified in the ESRS. However, we have defined an upper limit for the long-term horizon of 15 years to align with our climate targets, which extend to 2040. H&M Group has exercised all phase-in provisions in Appendix C of ESRS 1 except S1-13, see the ESRS index on page 123. No ESRS-required content is incorporated by reference and internal cross-references are only used for navigability. Any external web links are provided for context and lie outside the scope of external assurance.

**Sustainability steering and governance**
The purpose of our sustainability governance model is to ensure effective oversight of sustainability issues and that the continuous development of our overall strategy and business model aligns with stakeholder expectations. We have integrated sustainability aspects into our long-term business planning to ensure that environmental, social, and governance-related factors are evaluated alongside financial and operational priorities. In 2025, this meant that we decided to enter into a multi-year strategic partnership with Circulose to replace virgin viscose, as well as to continue supporting Syre to enable large-scale textile-to-textile recycling. Decisions were also made to continue working towards building a demand-driven value chain to reduce the risk of overproduction. These initiatives are part of our overall plan to strengthen the resilience of our business model by optimising our production and resource use, reducing GHG emissions in the value chain, increasing the use of recycled and sustainably sourced materials, and accelerating the transition to a circular economy for fashion.

## Our sustainability steering model




1. The H&M group includes all entities listed in note 29 on pages 172–174.

### The board of directors

The board of directors oversees the management of business conduct matters and material sustainability impacts, risks, and opportunities. The board receives quarterly updates on sustainability performance and results, including an overview of material matters, key actions taken across brands and functions to manage these matters, and our progress towards strategically important targets and commitments. The board of directors consists of 14 non-executive members, of which 8 are elected by the annual general meeting, 3 are employee representatives and 3 are deputy employee representatives. All board members, excluding employee representatives and their deputies, are independent of the company and the company management.

| Board members | |
|---|---|
| Total number of executive board members | 0 |
| Total number of non-executive board members | 14 |
| Percentage of female board members | 50% |
| Percentage of male board members | 50% |
| Share of female to male board members | 50% |
| Percentage of independent board members of the company and the company management | 57% |

The board of directors and the executive management of the H&M group together have a broad understanding of sustainability-related issues. This understanding has been developed through a combination of professional experience, continuous education, and active engagement with external experts and institutions. Their collective experience covers the fashion and retail sectors, with direct involvement in sustainability initiatives within the H&M group. The board members' expertise spans multiple industries, and they have experience in areas such as developing sustainability strategies, implementing regulations, and training in key areas like climate, energy transition, human rights, and working conditions. In 2024, the board also underwent training on the CSRD (Corporate Sustainability Reporting Directive) to increase their understanding of managing our material sustainability matters in relation to the new regulations, thereby ensuring effective governance and monitoring of sustainability efforts within the H&M group.

### The audit committee

The audit committee oversees H&M Group's financial and sustainability reporting, and the effectiveness of the company's risk management and internal control, including material sustainability impacts, risks and opportunities. The audit committee also oversees all auditing topics related to the H&M group's financial and sustainability reports. The corporate governance team, with support from the sustainability governance team, is responsible for updating the audit committee regarding sustainability-related risks and the effectiveness of internal control over sustainability reporting and data management, as part of their biannual reporting.

### The chief executive officer and executive management team

The chief executive officer (CEO), with support from the company's executive management team, is responsible for the daily management of H&M Group, including the alignment of our business plan and strategy with the management of material sustainability impacts, risks and opportunities. The CEO receives quarterly reports on sustainability results and progress, including an overview of material matters, key results, and performance indicators (KPI) to track progress towards targets and the effectiveness of actions. The chief sustainability officer is part of the executive management team.

### The chief sustainability officer and sustainability management team

The chief sustainability officer, with support from the sustainability management team, is responsible for overseeing the implementation of our sustainability strategy and informing the executive management team as well as the board of directors about sustainability-related matters. The sustainability management team consists of representatives from all relevant sustainability areas within our business functions, each responsible for delivering concrete action plans to ensure we meet our sustainability ambitions and related targets. This includes ensuring we realise strategic opportunities and positive impacts while mitigating any potential business risks or negative impacts.

### Operational teams across our business functions

The subject matter experts working within our sustainability department and across different business functions play a key role in supporting the chief sustainability officer by monitoring and reporting progress on our action plans. Their responsibility includes continuously identifying impacts, risks and opportunities within their areas of expertise, in close collaboration with the stakeholder engagement team and relevant risk and governance specialists across the business. To ensure we keep track of our sustainability progress and report relevant and accurate information, our data analysts and controllers support our subject matter experts and sustainability management team with the consolidation and controlling of sustainability data.

### Sustainability and climate-related incentive schemes

Our remuneration guidelines cover compensation for the CEO and other senior executives as well as compensation for board members in addition to the board fee. The guidelines aim to link incentives to the company's long-term strategy and sustainability targets. At the 2025 Annual General Meeting, updated remuneration guidelines for senior executives and a long-term incentive programme ('LTIP 2025') were adopted for the CEO, executive management team, and other key senior personnel within the H&M group. There are no outstanding share- and share-price-related incentive programmes for the board, see more in note 8.

| Core elements of due diligence | Paragraphs in the sustainability statement |
|---|---|
| a) Embedding due diligence in governance, strategy and business model | Sustainability steering and governance<br>Our sustainability strategy, business model and value chain<br>Our ambition, steering and strategy<br>(E1, E2, E3, E4, E5, S1, S2, S3, S4, G1) |
| b) Engaging with affected stakeholders in all key steps of the due diligence | The interests and views of our stakeholders<br>Process for engagement and remediation (S1, S2, S3, S4) |
| c) Identifying and assessing adverse impacts | Our double materiality analysis process<br>The identification and assessment of material matters<br>(E1, E2, E3, E4, E5, S1, S2, S3, S4, G1) |
| d) Taking actions to address those adverse impacts | Management of material sustainability matters<br>(E1, E2, E3, E4, E5, S1, S2, S3, S4, G1)<br>Our targets and actions<br>(E1, E2, E3, E4, E5, S1, S2, S3, S4, G1)<br>Our climate transition plan (E1) |
| e) Tracking the effectiveness of these efforts and communicating | Our progress and results<br>(E1, E2, E3, E4, E5, S1, S2, S3, S4, G1) |



The total remuneration for the CEO and senior executives includes fixed salary, short-term and long-term variable remuneration, pensions, and benefits. Achievement of objectives for short-term variable remuneration is to be measured over a one-year period. The objectives should mainly be based on financial results, such as total sales and total operating profit. Financial results can consist of results for the H&M group or the business area for which the executive is responsible. The targets may also be linked to non-financial measures, such as strategic, operational, or individual goals to fulfil areas of the business plan, including sustainability, leadership, and compliance with values.

The board shall annually set target levels for each of the performance parameters for the coming year. There should always be a threshold for achieving financial results, meaning that if this threshold is not met, no short-term variable compensation will be awarded regardless of the achievement of other targets. The H&M group does not have a remuneration committee, as the board considers it more appropriate for the entire board to perform the tasks of a remuneration committee. The board is therefore responsible for the design and regular evaluation and review of the remuneration guidelines. The update of the remuneration guidelines adopted in 2025 included input from shareholders. In the long-term incentive program ("LTIP 2025"), the outcome of performance shares awards to the participants is subject to the satisfaction of performance criteria related to the three-year performance linked to the development of the groups operating profit, total shareholders return on the H&M share and environmental, social and governance (ESG), i.e. reduction of GHG emissions.

The inclusion of sustainability-related performance criteria ensures that the incentives for executive officers support the H&M group's long-term climate commitments. The sustainability-related criteria are linked to the company reducing its absolute $CO_2e$ emissions in Scope 1, 2, and Scope 3 compared to the 2019 level. Read more about the remuneration guidelines and incentive programme on pages 133–134 and 157–158.

### Management and reporting of sustainability-related information

We maintain a systematic approach to due diligence and risk management to ensure sustainability matters are effectively identified, managed and reported. Our approach ensures that these matters are integrated into our business planning and decision-making processes throughout our brands and functions.

### Due diligence process

Human rights and environmental due diligence (HREDD) is an integrated part of H&M Group's long-term sustainability initiatives. Our HREDD process is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This ensures a systematic approach to identifying, preventing and mitigating adverse impacts on people and the environment. Engagement with rightsholders and affected stakeholders is a central part throughout our due diligence process. We engage in meaningful dialogue with affected and potentially affected stakeholders, ensuring their perspectives inform risk identification, prioritisation, actions and remediation. As part of this process, we collect, verify and assess sustainability-related information to identify and evaluate actual or potential adverse impacts. These insights enable informed decision-making and timely action to address negative impacts.

### Risk management process

Sustainability-related impacts or risks that have been identified through our due diligence process or other relevant processes are integrated into H&M Group's enterprise risk management (ERM) system, to ensure they are managed in alignment with our overall risk management process. Risks are prioritised using a risk assessment matrix that considers the likelihood and impact on our business in terms of financial size, brand reputation, and regulatory compliance. The risk assessment is reviewed by the corporate governance team and the prioritised risks are reported biannually to the audit committee and annually to the board of directors to ensure efficient oversight. Suggested actions to manage prioritised risks and opportunities are incorporated into our business plans.

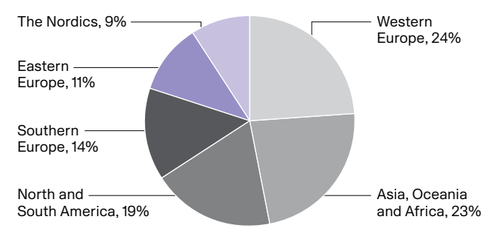
During 2025, we have continued to develop internal control and data management procedures to improve our sustainability governance framework and mitigate risks associated with the consolidation and reporting of sustainability data. The main risks identified related to sustainability reporting include non-compliance with applicable frameworks and regulations, and failure to report accurate and reliable information. Ongoing initiatives to manage these risks include the development of our internal control over sustainability reporting (ICSR), which is designed in alignment with our existing internal control over financial reporting (ICFR). The current internal control over sustainability reporting covers key and prioritised sustainability areas and the reporting process. The internal control work aims to mitigate risks related to errors in reporting to ensure compliance with applicable frameworks and regulations. Responsibility for implementing internal control over sustainability-related information and data sits with the sustainability data and controlling team. The audit committee monitors the effectiveness of internal control and risk management, reporting regularly to the board of directors on the status of these processes. Read more about our approach to risk management in the corporate governance report on page 41.

### Our sustainability strategy, business model and value chain

The purpose of our sustainability strategy is to ensure we work towards decoupling growth by cutting emissions and reducing the use of virgin materials and water, empowering people and communities, and driving change within our industry. To achieve this, we have set targets to reduce our GHG emissions and water use, increasing the use of recycled and sustainably sourced materials, and raise awareness of worker-related issues within our

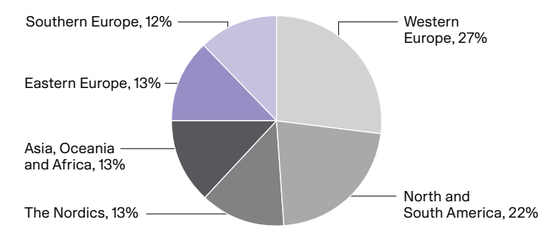
## Our key markets

**Stores per region, 2025**




Total number of stores 4,101

**Employees per region, 2025**




Total number of employees 132,403

operations and supply chain. Although progress towards these targets has been made during the year, we anticipate future challenges related to the availability of recycled and sustainably sourced materials, and the management of global supply chains and business relationships in high-risk regions. Planned actions to manage these challenges include investments to improve resource efficiency, initiatives to scale services such as resale, that extend product life and the development of business contingency plans to mitigate risks related to supply chain disruptions. Examples of ongoing actions – spanning several products and markets – include our efforts to achieve 100 percent recycled or sustainably sourced materials in our commercial products and packaging by 2030. Other ongoing actions include efforts to reduce the amount of energy and water required to manufacture the products we sell, as well as continuous evaluations of our suppliers and business partners to ensure responsible business conduct.

Our sustainability strategy is reviewed annually by the sustainability management team to ensure we stay on track to meet our targets and fulfil our policy commitments. When developing our sustainability strategy and evaluating the effectiveness of our actions taken during the year, we pay particular attention to activities in the value chain where we have the most significant impacts. This includes activities related to the sourcing and manufacturing of products and their end-of-life management. In doing so, we ensure that our sustainability strategy and business objectives remain closely aligned with the views and interests of affected stakeholders, considering both environmental and social aspects along our value chain. When developing our strategy, we also consider our position as a global fashion brand, the results of our double materiality analysis, and the sustainability ambitions within our prioritised areas.

We are a global design and fashion company, and our products are at the core of our business model, this means that our customers' needs and expectations are at the centre of everything we do. Our main customer groups include women, men, youth, and children of all ages across 81 markets worldwide. In 2025, we did not operate in any markets where our products or services were banned, nor did we make changes to our business offering that impacted these key customer groups. We expanded our presence by entering new markets, including Brazil, El Salvador, and Venezuela, broadening both our operations and customer base.

### Our business

Our own operations include the design, purchasing, marketing, sale, warehousing and distribution of our products. To remain competitive, we focus on attracting and developing talent that can help improve our customer offering and business model. This encompasses the development of our key products and services including retail and online sales of clothing, accessories, homeware, footwear and cosmetics. Our own operations also include investments within H&M Group ventures, joint ventures, potential acquisitions, and our own start-ups. The portfolio consists of over 30 companies and includes Sellpy, Syre, and Looper Textile, which aim to contribute to the transition towards a circular economy for fashion. Read more about these companies and our investments on page 37.

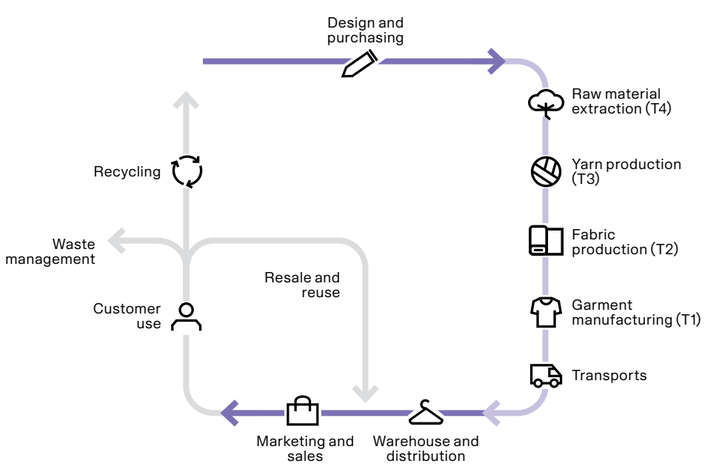
Our offices, warehouses and distribution centres are mainly located in Europe, North America and Asia to serve our global customer base. These activities rely on key inputs such as financial capital, human capital, and intellectual capital to deliver on our ambition of making fashion accessible to the many. Read more about our business on pages 24–39.

### Our role in the value chain

Like most fashion brands, we do not own any factories, but instead we work with independent suppliers in our upstream value chain to produce the collections we design and sell. Activities in our upstream value chain include the production and processing of raw materials such as cotton, wool and wood as well as the manufacturing of our products. Our production and manufacturing activities are primarily located in Asia, with suppliers operating in countries such as Mainland China, Bangladesh, India, Vietnam and Türkiye. As part of our sustainability strategy, we engage closely with our suppliers and business partners to ensure that the social and environmental requirements set out in our policies and commitments are consistently met.

Our downstream value chain includes activities related to the customer use, collection, sorting, recycling and waste management of garments, textiles and packaging materials. In collaboration with our downstream business partners, we also take action to scale business models through a range of initiatives and ventures that aim to increase the availability and use of recycled products and materials. These efforts aim to create benefits for both our customers and society at large by reducing the negative environmental impacts associated with resource use in the textile and fashion industry.

## Our value chain




- **Upstream**
  The extraction, production, processing, manufacturing and transport of raw materials, input goods and products.
- **Own operations**
  The design, purchasing, warehousing, distribution, marketing, sale and resale of products.
- **Downstream**
  The use, reuse, recycling and disposal of products and materials.

This illustration of the value chain was created for the purpose of mapping our relevant sustainability areas and impacts on affected stakeholders. Therefore, it only covers our key materials and activities, and should not be seen as a complete depiction of all our business activities.



## Our key stakeholders

| Stakeholder group | Description of engagement | Purpose of engagement |
|---|---|---|
| **Own workforce**<br>People employed in our own operations include store employees, office employees and warehouse employees. Non-employees include consultants and agency workers in our stores, offices and warehouses. | Our global and local people organisation engages with employees through surveys and continuous dialogue with worker and union representatives. | The outcome of our engagement informs our strategy to ensure we drive improvements of working conditions and strengthen the employer-employee trust. Our aim is to continuously adapt our business model and ways of working to ensure we meet the needs of all employees across our stores, offices and warehouses. |
| **Workers in the value chain**<br>Workers in our value chain include people employed through our direct suppliers working with product manufacturing, and workers employed by indirect suppliers. | Local production offices and group sustainability engages with representative groups such as trade unions, multi-stakeholder initiatives, and partnerships, and through anonymous workers' surveys. | The outcome of our engagement informs our strategy to ensure we contribute to the fair and equal treatment of value chain workers. In cases where the current business model has significant actual negative impacts on value chain workers, actions are taken on multiple levels to mitigate and/or avoid this impact, primarily in dialogue with the business partners responsible for the workers in the value chain. |
| **Affected communities**<br>People that may be negatively affected by the extraction and processing of raw materials and the manufacturing of finished goods and products. | Local production offices and group sustainability engage with communities through dialogue with representatives for the affected communities such as partnerships, civil society initiatives and multi-stakeholder initiatives. | The outcome of our engagement informs our strategy to ensure we continue respecting the rights of people living in affected communities. Insights gained through our engagements contribute to the identification of adverse impacts along our value chain and the development of mitigating actions to manage these impacts through targeted initiatives and projects. |
| **Consumer and end-users**<br>Our consumer and end-users include consumers and users of apparel and lifestyle products. | Our consumer insight team engages through surveys and direct dialogue to understand consumer expectations and preferences. | The outcome of our engagement informs our strategy to ensure we meet customer expectations. Our aim is to gain insights to ensure we deliver on our business idea and adapt our business model to remain competitive, given that our business model is dependent on our customers and end-users. |
| **Suppliers and business partners**<br>Suppliers of commercial and non-commercial goods, service providers and franchise partners. | Our global head office and our local production offices engage through partnership dialogues, surveys, events, partnerships and multi-stakeholder initiatives. | The outcome of our engagement guides our strategy for supplier relationships management, with the aim to foster ethical business practices, strengthen strategic partnerships, and promote shared sustainability ambitions and joint initiatives. |
| **Investors and analysts**<br>Professional investors and analysts gathering and analysing sustainability information. | Investor relations engage through quarterly reports, meetings, and direct outreach to ensure transparency and integrate feedback. | The outcome of our engagement informs our strategy to ensure we report information relevant to our investors. Insights gained through our engagement is analysed and integrated into our reporting process to ensure investor expectations are met and to ensure accurate and transparent disclosure of sustainability-related data and information. |
| **Policymakers**<br>Representatives for national governments and multi-governmental/national/lateral organisations. | Local and global public affairs teams engage through advocacy, events, panels and policy forums. | The outcome of our engagement informs our strategy with the aim to influence business critical matters, and policy developments that support industry-wide environmental and social progress and vital systemic shifts, and enabling regulatory clarity and ambition. |
| **Partnerships**<br>Formal partners working towards a shared goal. | Local and global company representatives engage with partnerships through ongoing dialogues, events, and multi-stakeholder initiatives, NGOs and international organisations. | The outcome of our engagement informs our strategy with the aim to provide insights, innovation, external validation (e.g., certifications), and operational support in areas beyond our direct influence. Some of the partners also function as proxies for affected rightsholders. |
| **Industry peers**<br>Global fashion and sports industry peers that share value chain synergies. | Our global sustainability team actively engages with industry associations and actors across the industry through conferences, webinars, and joint initiatives. | The outcome of our engagement informs our strategy and the development of our business model to ensure we contribute to driving change within our industry. We aim to contribute with industry knowledge to industry actors and associations that enables the advancement of industry-wide action on sustainability topics. |

This table outlines our key stakeholders and our primary methods of engagement with them. Engagement methods are determined by the stakeholder group categories and their direct and indirect influence on our company. Planned actions and amendments to our process for stakeholder engagement include updates during 2026 to meet regulatory requirements related to the role of stakeholder engagement in due diligence.

**The interests and views of our stakeholders**
We are committed to creating value for all our stakeholders and engage annually with representatives from all key stakeholder groups. These dialogues take place at both global and local levels along our entire value chain and aim primarily to better understand our impact on affected stakeholders as well as to maintain stakeholder trust, which is crucial for our commercial success. Our overall approach is outlined in our process for stakeholder engagement, which ensures that we capture the perspectives of affected stakeholders – either through direct consultation or, when necessary, via representatives or proxies. Insights from these stakeholder engagements are documented on a quarterly basis. We integrate the outcomes of our stakeholder engagements into our double materiality analysis, which directly informs the development of our sustainability strategy. The board of directors is kept informed about stakeholder views and interests related to material sustainability matters through an annual update from the chief sustainability officer, as well as through the annual approval of the sustainability strategy. Further details on how we engage with our key stakeholders and the purpose of our engagement are presented on page 67.

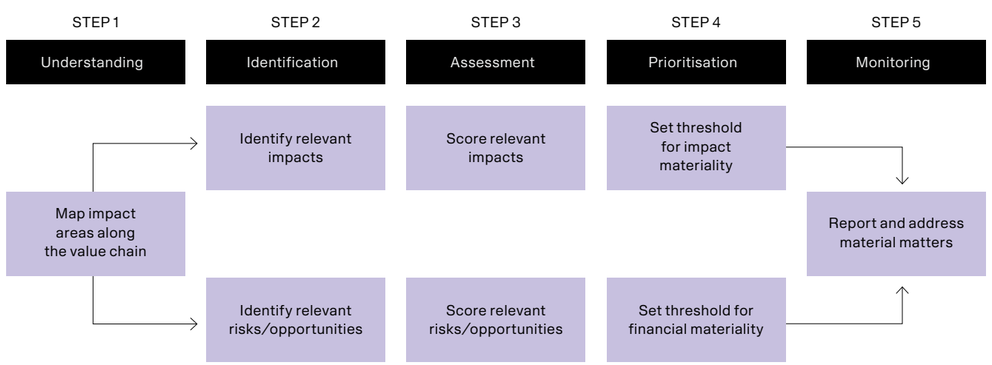
**Our double materiality analysis process**
To effectively manage prioritised sustainability matters along our value chain, we base our efforts on the results of our double materiality analysis. This process enables us to understand, identify, assess, prioritise and monitor both actual and potential impacts, as well as financial risks and opportunities linked to our business operations. The purpose of our double materiality analysis is to guide meaningful action based on two key dimensions:

- **Impact materiality:** the actual or potential positive and negative impacts on people and the environment stemming from activities along our value chain.
- **Financial materiality:** the sustainability-related risks and opportunities that may affect our financial position or performance over the short, medium or long term.

To inform our analysis, we gather and evaluate inputs from a wide range of internal and external sources and frameworks. Our analysis is grounded in a clear understanding of affected stakeholders' views and interests. This informs the identification of actual and potential impacts, as well as sustainability-related risks and opportunities arising from our dependencies on these stakeholders. Key external sources and frameworks used include the SASB Standards, OECD Guidelines for Multinational Enterprises, the European Sustainability Reporting Standards (ESRS), the World Wildlife Fund for Nature (WWF) and the European Environment Agency (EEA). These sources and frameworks help us identify sector and country specific risks to ensure we consider the perspectives of affected stakeholders across different geographies. Particular attention is given to high-risk regions. To gain further understanding of affected stakeholders' views and perspectives, we incorporate the results of our due diligence process and stakeholder engagement process into our double materiality analysis.

In 2025, we continued integrating sustainability-related impacts, risks and opportunities into our enterprise risk management (ERM) system to ensure they are assessed on the same basis as other financial and operational risks. The purpose is to ensure that sustainability-related financial effects are reflected in our overall risk profile and that our double materiality analysis process aligns with our ERM framework. This integration will continue throughout 2026 to ensure that the understanding of sustainability-related matters also supports strategic decision-making processes affecting our business model. Our double materiality analysis and risk management processes are reviewed by the sustainability governance team and the corporate governance team at the end of each financial year. The internal control over the double materiality analysis process includes documented procedures, quality reviews of underlying decisions and processes, and validation of the results. The purpose is to ensure that the double materiality methodology is applied in accordance with the requirements set out in the ESRS. During the year, no material current financial effects from identified risks and opportunities has materialised. For current significant resources allocated to our actions, see 'Climate change', 'Biodiversity and ecosystems' and 'Resource use and circular economy'.

## Materiality analysis process






**Step 1: Understanding**
The double materiality analysis process begins with developing a clear understanding of the context in which we operate in order to map relevant sustainability areas. This includes analysing how our activities, products, services and business relationships interact with environmental, social and governance factors along our full value chain as presented on page 66. To do so, we gather insights from a wide range of stakeholders through continuous engagements throughout the year. This includes a review of the outputs from our due diligence process, risk management process, and stakeholder engagement process as well as insights derived from external frameworks and experts.

**Step 2: Identification**
Once we have established a clear understanding of relevant sustainability areas along our value chain, we proceed with a systematic identification of actual and potential impacts, as well as financial risks and opportunities. This identification is carried out by our subject matter experts who work across our different business functions. These experts contribute insights based on their respective areas of expertise and with an understanding of the geographic and sector-specific conditions that characterise our operations. This ensures that we identify issues that are unique to our business context. The outcome of this step is a list of sustainability matters that are relevant to our business in the short term (within one year), medium term (one to five years), and long term (five to fifteen years). This list is then carried forward to the assessment phase. For more information on how the identification of relevant matters has been conducted, see the topical sections of this report.

**Step 3: Assessment**
To evaluate the significance of the impacts, risks and opportunities we have identified, we conduct a structured assessment in accordance with the principle of double materiality. This assessment is conducted using H&M Group's impact materiality framework and risk framework. When assessing impact materiality, we consider the inherent severity and likelihood of the impact. Severity is calculated as the average between scale, scope and irremediability using the same scoring criteria as our due diligence process. For negative human rights impacts, severity takes precedence over likelihood where all impacts assessed as either high or very high in severity is considered material. Financial materiality is evaluated by assessing both the inherent and residual likelihood and financial size of each risk or opportunity – using the same scoring criteria applied to all operational and financial risks within our business.

**Step 4: Prioritisation**
Once we have completed the assessment phase, we prioritise relevant impacts, risks and opportunities based on their relevance to our business and our key stakeholder groups. All relevant sustainability matters receive a qualitative score where they are considered to be of critical, high, medium or low importance in alignment with our overall risk management framework and due diligence framework. The sustainability management team is responsible for setting a threshold for impact materiality and financial materiality on an annual basis using H&M Group's impact prioritisation matrix and enterprise risk prioritisation matrix. For the financial year 2025, impacts assessed as medium, high or critical were considered material and financial effects assessed as high or critical were considered material.

**Step 5: Monitoring**
Once a materiality threshold has been set, the results from the double materiality analysis are shared before the start of the next financial year with our executive management team and board of directors to inform our strategic priorities for the coming year. The impacts, risks and opportunities that have been identified as material are monitored by our subject matter experts to ensure we follow up on our initial assessment and take action to manage prioritised matters. When a sustainability matter is concluded as material, we apply the principles of materiality of information to determine what data and information to disclose based on stakeholders' expectations. Our monitoring and reporting of sustainability-related matters is overseen by the sustainability governance team, the corporate governance team and the audit committee of the board to ensure reported data and information meets relevant regulatory requirements and stakeholder expectations. For more detailed information about the actions taken to manage material sustainability matters within each area, see the topical sections of the report. See ESRS index of reported ESRS disclosures and entity specific disclosures, as well as table of datapoints derived from other EU legislation, on pages 123–128.

**Our material sustainability matters and business resilience**
In 2025, we further developed our materiality analysis process by integrating the principles of double materiality. While no significant changes have been identified related to our material sustainability impacts since the previous reporting period, the results of the analysis now also include financial effects. This broader perspective provided new insights into the financial implications of our dependence on finite and critical resources such as land, water, and virgin materials. These insights informed an assessment of the resilience of our strategy and business model in the short-term (within one year), the medium-term (one to five years) and the long term (five to fifteen years), drawing on findings from our climate-related scenario analysis in alignment with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

This year's resilience analysis was conducted by assessing potential effects on our business from external events resulting from climate change, and evaluating our capacity to manage these effects. The analysis covered key activities along our full value chain including the production and transportation of raw materials and input goods, as well as the use and disposal of our products.

The results show that H&M Group's planned and ongoing actions – including the shift to recycled and sustainably sourced materials, and investments to improve resource efficiency – support the organisation's ability to respond proactively to supply chain disruptions and maintain operational resilience in the short to medium term (within one to five years). The flexibility in our supply chain further strengthens our resilience by enabling us to adapt sourcing and manufacturing strategies when disruptions occur. These results assume that we reach our 2030 targets related to climate change and resource use, and that we make no significant changes to our asset base. The outcome shows no additional need to adjust or adapt our business strategy in regards to access to finance at an affordable cost of capital, the ability to redeploy, upgrade or decommission existing assets, or reskilling workforce.

More detailed information about our planned and ongoing actions to manage material impacts, risks and opportunities and their interaction with our strategy and business model is disclosed in the topical sections. Our resilience analysis methodology will be further developed during 2026 to ensure we cover all material sustainability matters.

# Material sustainability matters

| Matter | Type | Value chain location | Time horizon |
|---|---|---|---|
| **Climate change** | | | |
| GHG emissions along the value chain | Negative impact (A) | Upstream, Downstream | Short, Medium, Long |
| Energy use in the supply chain | Negative impact (A) | Upstream | Short, Medium, Long |
| GHG emissions from own operations | Negative impact (A) | Own operations | Short, Medium, Long |
| Energy use in own operations | Negative impact (A) | Own operations | Short, Medium, Long |
| Risk of increased procurement costs due to climate change | Financial risk | Upstream | Long |
| Risk of supply disruptions along transportation routes due to climate change | Financial risk | Upstream | Medium, Long |
| Risk of supply disruptions in key production markets due to climate change | Financial risk | Upstream | Long |
| Risk of increased sourcing costs due to carbon taxes | Financial risk | Upstream | Long |
| **Water pollution** | | | |
| Pollution of water in the supply chain | Negative impact (P) | Upstream | Medium, Long |
| Generation of microfibres and microplastics | Negative impact (P) | Upstream, Downstream | Medium, Long |
| **Water use** | | | |
| Water withdrawals and consumption in the supply chain | Negative impact (A) | Upstream | Short, Medium, Long |
| **Biodiversity and ecosystems** | | | |
| Land-use change, deforestation and biodiversity loss | Negative impact (A) | Upstream, Own operations, Downstream | Short, Medium, Long |
| Land degradation | Negative impact (A) | Upstream, Own operations, Downstream | Short, Medium, Long |
| **Resource use and circular economy** | | | |
| Materials and resource use (resource inflows) | Negative impact (A) | Upstream, Own operations | Short, Medium, Long |
| Generation of waste (resource outflows) | Negative impact (A) | Upstream, Own operations, Downstream | Short, Medium, Long |
| Product design and services (resource outflows) | Negative impact (A) | Upstream, Own operations, Downstream | Short, Medium, Long |
| Risk of reduced availability of raw materials | Financial risk | Upstream | Long |
| Risk of increased costs to manage waste | Financial risk | Downstream | Medium, Long |
| Opportunity to create new revenue streams from resale | Financial opportunity | Downstream | Medium, Long |
| Opportunity to improve business resilience | Financial opportunity | Upstream | Medium, Long |
| **Own workforce** | | | |
| Working conditions and collective bargaining agreements | Negative impact (P) | Own operations | Short, Medium, Long |
| Colleague wellbeing, health and safety | Negative impact (P) | Own operations | Short, Medium, Long |
| Diversity and inclusion | Negative impact (P) | Own operations | Short, Medium, Long |
| Colleague data security and privacy | Negative impact (P) | Own operations | Short, Medium, Long |
| Forced labour in own operations | Negative impact (P) | Own operations | Short, Medium, Long |
| Working hours, wages and secure employment | Negative impact (P) | Own operations | Short, Medium, Long |
| Work-life balance | Negative impact (P) | Own operations | Short, Medium, Long |
| Risk of inadequate information security and protection of employee data | Financial risk | Own operations | Short, Medium, Long |
| Risk of lower talent attraction and co-worker retention | Financial risk | Own operations | Short, Medium, Long |



| Matter | Type | Value chain location | Time horizon |
|---|---|---|---|
| **Workers in the value chain** | | | |
| Health and safety of workers in the value chain (Tier 3 and 4) | Negative impact (P) | Upstream | Short, Medium, Long |
| Health and safety of workers in the value chain (Tier 1 and 2) | Negative impact (P) | Upstream | Short, Medium, Long |
| Health and safety of workers in the logistics industry | Negative impact (P) | Upstream | Short, Medium, Long |
| Forced labour in the value chain | Negative impact (P) | Upstream | Short, Medium, Long |
| Child labour in the value chain | Negative impact (P) | Upstream | Short, Medium, Long |
| Working conditions and adequate wages in the value chain | Negative impact (P) | Upstream | Short, Medium, Long |
| Right to freedom of association of value chain workers | Negative impact (P) | Upstream | Short, Medium, Long |
| Secure employment of value chain workers | Negative impact (P) | Upstream | Short, Medium, Long |
| Sexual harassment and gender-based violence in the value chain | Negative impact (P) | Upstream | Short, Medium, Long |
| Risk of non-compliance with regulations and poor working conditions in the value chain | Financial risk | Upstream | Short, Medium, Long |
| Risk of supply disruptions related to human rights violations in the value chain | Financial risk | Upstream | Short, Medium, Long |
| **Affected communities** | | | |
| Land use, land rights and livelihoods | Negative impact (P) | Upstream | Short, Medium, Long |
| Community access to a clean and healthy environment | Negative impact (P) | Upstream | Short, Medium, Long |
| Risk of non-compliance with regulations and violations of land rights | Financial risk | Upstream | Short, Medium, Long |
| **Consumers and end-users** | | | |
| Customer data privacy and protection | Negative impact (P) | Downstream | Short, Medium, Long |
| Responsible marketing and social inclusion of consumers | Negative impact (P) | Downstream | Short, Medium, Long |
| Product safety and consumer health | Negative impact (P) | Downstream | Short, Medium, Long |
| Risk of inadequate information security and protection of customer data | Financial risk | Downstream | Short, Medium, Long |
| **Business conduct** | | | |
| Corporate culture and ethical business conduct | Positive impact (P) | Upstream, Own operations, Downstream | Short, Medium, Long |
| Protection of whistleblowers | Positive impact (P) | Upstream, Own operations, Downstream | Short, Medium, Long |
| Animal welfare | Negative impact (P) | Upstream | Short, Medium, Long |
| Supplier and business relationships | Positive impact (P) | Upstream | Short, Medium, Long |
| Risk of non-compliance with regulations and poor management of supplier relationships | Financial risk | Upstream | Short, Medium, Long |
| Risk of corruption and unethical business conduct | Financial risk | Own operations | Short, Medium, Long |

**Type**
Actual impact (A), Potential impact (P)

**Value chain location**
Upstream · Own operations · Downstream

**Time horizon**
Short term · Medium term · Long term

See list of the disclosure requirements complied with in preparing the sustainability statement on page 123 based on the results of the double materiality analysis.

# Environment

To avoid negative environmental impact, we take action to increase our resource efficiency and reduce our greenhouse gas emissions. This includes investments in new solutions and technology that improve our business resilience and reduce our dependence on critical and finite resources. We also collaborate with our business partners to increase the use and availability of certified, recycled, and sustainably sourced materials.



# Climate change

**Our ambition, steering and strategy**
Our ambition is to contribute to the limiting of global warming to 1.5°C in line with the Paris Agreement. To achieve this ambition, we focus our efforts on reducing our GHG emissions in accordance with our climate targets by investing in new technology and optimising our resource use. These efforts are directly embedded in our business model and strategy – from how we design our products to how we engage with our suppliers and customers. Since a large share of our emissions occur outside our own operations, close collaboration with our business partners is essential to achieving our climate targets and strengthening our business resilience. In 2024, we conducted an updated climate-related scenario analysis to gain deeper insights into both physical and transition risks along our full value chain and the resilience of H&M Group's strategy and business model regarding climate change. The results of the analysis have informed our strategic priorities during 2025, enabling us to take action to strengthen our business resilience in alignment with our climate transition plan.

Our resilience analysis shows that H&M Group is well-positioned to manage risks related to climate change. While extreme weather events and changes in climatic conditions may disrupt our supply chain, including production sites and transportation routes, our ongoing and planned efforts will increase our resilience in the short to medium term (within one to five years). This resilience is supported by strategic investments in services that extend product life, increased use of recycled materials, diversification of raw material sourcing, and the transition to renewable energy and energy-efficient production technologies. Our science based targets, combined with proactive contingency planning and our supply chain flexibility, further strengthen our preparedness for both regulatory and physical climate risks. These measures not only support our climate targets but also reinforce our capacity for long-term value creation under different climate-related scenarios. More information about the results from the climate-related scenario analysis is disclosed on page 74.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **GHG emissions along the value chain** | | |
| Several activities along our value chain contribute to climate change through GHG emissions from the combustion of fossil fuels. Activities include the extraction of raw materials, production of input goods, transport and the management of waste. | To address this matter, we have taken action to reduce greenhouse gas emissions from production and transportation by phasing out fossil fuels while transitioning to the use of recycled and sustainably sourced materials. | H&M Group's environmental policy and sustainability commitment |
| **Energy use in the supply chain** | | |
| The production and processing of input goods such as yarn and fabrics require significant amounts of energy for the operation of machinery and the heating of water used in the washing and dyeing of textiles. | To address this matter, we have taken action to improve energy efficiency by supporting suppliers with energy audits and financing investments in energy-efficient machinery and production processes. | H&M Group's environmental policy and sustainability commitment |
| **GHG emissions from own operations** | | |
| Our use of non-renewable energy sources to heat and power our stores, warehouses and offices contributes to climate change through the burning of fossil fuels which release GHG emissions. | To address this matter, we have taken action to reduce GHG emissions from our own operations by shifting towards using renewable energy sources and improving energy efficiency. | H&M Group's environmental policy and sustainability commitment |
| **Energy use in own operations** | | |
| Most of our energy use is linked to electricity consumption in our facilities, where significant amounts of energy are required for heating, lightning, climate control, and the operation of equipment. | To address this matter, we have taken action to improve energy efficiency and reduce electricity consumption in our stores, warehouses and offices by shifting to LED lighting and motion sensors. | H&M Group's environmental policy and sustainability commitment |
| **Risk of increased procurement costs due to climate change** (P) | | |
| There is a risk of supply disruptions due to climate change causing extreme weather events such as droughts and floods. These events, along with long-term shifts in weather patterns and rising global temperatures, could raise procurement and production costs for key input materials such as cotton. | To reduce this risk, we execute shifts in our material basket and invest in new ventures and initiatives aimed at increasing the supply of recycled and next-generation materials. In addition, we monitor and analyse the changing climate and its effect on sourcing locations and production costs. | H&M Group's environmental policy and sustainability commitment |
| **Risk of supply disruptions along transportation routes due to climate change** (P) | | |
| There is a risk of supply disruptions near key seaports and along shipping routes due to extreme weather events, including cyclones, flooding, and rising sea levels, causing delays in transportation. These delays may lead to reduced product availability in our omni-channels and lower sales. | To reduce this risk, we proactively update our business continuation plans and investigate alternative supply chain routes and modes of transport. In addition, we monitor and analyse the changing climate and its effect on our logistics network to ensure flexibility in our supply chain that allows for sourcing from alternative regions and suppliers. | H&M Group's environmental policy and sustainability commitment |

### Management of material sustainability matters

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Risk of supply disruptions in key production markets due to climate change (P)** | | |
| There is a risk of supply disruptions in key production markets due to multiple climate events occurring simultaneously, causing potential harm to physical sites such as land, warehouses and production facilities. These disruptions may affect manufacturing continuity and local community stability, potentially leading to relocation of production to higher-cost markets, reduced operational efficiency, and weakened supply chain resilience. | To reduce this risk, we update our business continuation plans, proactively investigate alternative production, distribution and logistics centres, and prepare backup flows, as well as securing adequate insurance for high-risk regions. In addition, we monitor and analyse the changing climate and its effect on our production markets and screen assets along our supply chain. | H&M Group's environmental policy and sustainability commitment |
| **Risk of increased sourcing costs due to carbon taxes (T)** | | |
| There is a risk of increased sourcing costs due to the gradual expansion of carbon-pricing mechanisms and import-related charges across the EU and other markets. | To reduce this risk, we work on reducing GHG emissions from our production facilities in line with our decarbonisation strategy, which will reduce our exposure to any potential taxes or tariffs. In addition, we engage legal and regulatory experts to stay updated on evolving legislation and work to proactively adjust business practices. | H&M Group's environmental policy and sustainability commitment |

Physical risk (P), Transition risk (T)

### The identification and assessment of material matters

To identify both actual and potential sources of GHG emissions, we have conducted a comprehensive screening of our business activities and strategic plans across the full value chain, aligned with the GHG Protocol. This screening, supported by a third-party expert, integrated all relevant emission sources into our annual GHG inventory and was reviewed by the Science Based Targets initiative (SBTi) during our climate target validation process.

In addition, we have undertaken a quantitative and qualitative scenario analysis following the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to identify and assess climate-related physical and transition risks, as well as opportunities, along our value chain. As part of the scenario analysis, we screened our key assets and business activities along the value chain to evaluate their exposure to the identified physical and transition hazards. These were screened based on actual data in regard to geospatial coordinates, energy and water consumption, economical weight (such as sales volume for stores, or production value for supplier sites), and site-specific GHG emissions. Physical hazards including flooding, extreme temperatures, extreme rainfall, drought, wildfires, cyclones, and water stress were evaluated alongside transitional events including changes to legislation, market shifts, reputational risks and technological events.

The analysis was conducted in 2024, covering scenarios over the short-term (within one year), medium-term (by 2030) and long-term (by 2040) to align with the time-horizons used when setting our climate targets. The analysis is based on three climate scenarios[1]: a low (1.5°C), moderate (~3°C), and high (>3°C) warming pathway. To strengthen the assessment of transition risks, we also incorporated scenario inputs from the Network for Greening the Financial System (NGFS), including NiGEM NGFS v1.23.2 [GCAM 6.0 NGFS], reflecting key macroeconomic, technological, and energy system assumptions. Critical assumptions include the continuing expansion of renewable energy alternatives in key production regions.

The scenario analysis is based on a two-step approach. First, we conducted a simplified assessment covering all identified risks. Secondly, we performed detailed modelling of the largest risks and opportunities. These financial models examined the effect of physical and transition risks at both the site- and aggregated levels and incorporated the costs and effectiveness of mitigation actions. Although no single asset gave rise to a financial risk large enough to be considered material, we identified several material risks related to our upstream value chain activities such as raw material extraction, textile production, and transportation. Once these material risks were identified, we evaluated how well our business model can adapt to these risks over the short, medium and long-term.

The results from the scenario analysis suggest that changing climatic conditions may cause supply chain disruptions and shifting consumer demand. Increasing frequency and severity of extreme weather events in a moderate to high warming pathway could affect key production markets, creating risks related to the sourcing, manufacturing and transportation of input goods. These events may also lead to a shift in consumer sentiment with an increased demand for recycled products and materials, presenting opportunities to grow revenue by scaling resale.

### Policies related to climate change

To manage matters related to climate change, we are guided by our environmental policy, which commits us to reducing our climate impact in line with the 1.5°C target and the Paris Agreement. The policy addresses matters related to climate change mitigation, our GHG emissions and energy use. It does not cover matters related to climate change adaptation. In addition, our sustainability commitment, which must be signed by all our business partners, requires suppliers to monitor and report energy use and emissions, and pursue continuous efficiency improvements. Read more about our policies and commitments on page 120.

### Our climate transition plan

Building on our business idea and strategic priorities, we have adopted a climate transition plan and set science based targets in line with the Paris Agreement to contribute to the limiting of global warming to 1.5°C. The plan supports our broader policy commitments and long-term business objectives to ensure we work towards reaching net-zero and take action to mitigate climate change. As part of this plan, we have identified a set of decarbonisation levers including decarbonising own operations, decarbonising production processes and transport in our supply chain, and shifting to recycled and sustainably sourced materials for our products and packaging. To achieve our climate targets, we remain focused on our key actions:

- Improving energy efficiency in own operations
- Sourcing of renewable energy in own operations
- Improving energy efficiency in garment and fabric manufacturing
- Leveraging renewable energy in garment and fabric manufacturing
- Advocating for systemic change
- Optimising logistics and transition to low emission transports
- Increasing the use of recycled and sustainably sourced materials
- GHG removals and storage projects

1. Three climate scenarios were analysed to capture a range of possible future outcomes, including an optimistic, low temperature increase and a pessimistic, high temperature increase: net-zero 2050, in line with 1.5°C (SSP1-2.6); low emissions, fewer physical events but more transition risks such as carbon taxes; delayed transition, less than 3°C (SSP2-4.5); moderate emissions with balanced risks; hot house, more than 3°C (SSP5-8.5); high emissions, more severe physical risks but fewer immediate transition impacts. These scenarios are consistent with the key climate-related assumptions applied in the financial statements. For more information, see note 1 Accounting principles in the financial reports on page 151.



In 2025, we allocated a total of SEK 2,484.2 m OpEx and SEK 347 m CapEx to our key actions related to our climate transition plan. These are reported per action in the sections 'Climate change', 'Biodiversity and ecosystems', as well as 'Resource use and circular economy'. In addition, long-term loans at favourable interest rates are offered directly to suppliers through our Green Fashion Initiative programme, as well as collaboratively with other brands through the Apparel Impact Institute's (Aii) Fashion Climate Fund and the Future Supplier Initiative. These initiatives reduce borrowing costs for factories and enable access to technical support.

As part of our reporting under the EU Taxonomy Regulation, we have identified that we are covered by activities related to climate change mitigation in connection with capital expenditures. These activities relate to the installation, maintenance and repair of energy-efficient equipment, instruments and devices for measuring, regulating and controlling the energy performance of buildings, as well as the acquisition and ownership of buildings. None of these activities are assessed as being aligned with the EU Taxonomy; see page 94 for more information. However, these activities support our transition plan related to improving energy efficiency in our own operations. We have not invested in any coal, oil or gas-related economic activities during 2025. We have issued financing in the form of green and sustainability-linked bonds to align our sustainability priorities with our financial strategy, and to provide investors with transparency on our investments and performance towards key sustainability targets. The H&M group is not excluded from the EU Paris-aligned benchmarks.

Furthermore, to support our transition towards net-zero, we have conducted a qualitative assessment of potential locked-in GHG emissions associated with our operations, products or assets. Based on this assessment, we concluded that these emissions do not compromise our ability to meet our climate targets or significantly increase any relevant transition risks. For some of our owned distribution centres we depend on natural gas for heating purposes, but these do not present a significant lock-in regarding the complexity or cost of replacing them, or significance in share of GHG emissions.

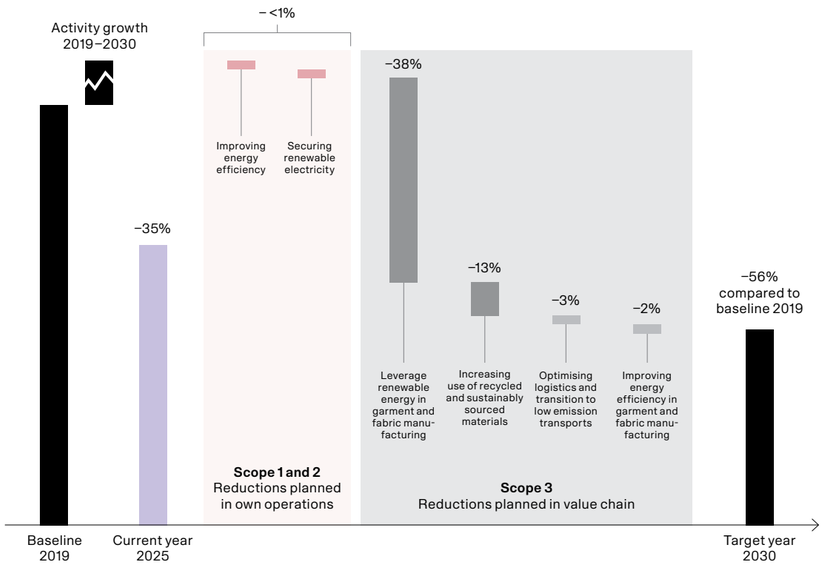
Our climate transition plan has been approved by the CEO and board of directors, and is fully embedded in our business strategy and financial planning, supporting our key long-term business objectives:

- Reaching long-term sales growth of at least 10 percent per year
- Achieving an operating margin that exceeds 10 percent
- Reducing GHG emissions in our supply chain by 56 percent by 2030 (compared to 2019)

Progress towards our climate targets and long-term business objectives is monitored on a quarterly basis by the executive management team, ensuring climate action remains central to our strategic direction. In addition, our board of directors receives annual updates on our progress towards our climate targets and key investments related to our climate transition plan. Accountability to deliver on our actions is integrated into the relevant business function to ensure alignment between business and climate objectives, and to secure the necessary allocation of resources. The executive management team and the board of directors' responsibility includes approving actions that form part of our sustainability strategy to ensure they are aligned with our overall business objectives and long-term financial planning.

Our GHG emission reductions have been driven by increased renewable energy use, energy efficiency improvements in our operations and supply chain, and a greater share of recycled and sustainably sourced materials in our material basket. Decreases in total material weight due to changes in assortment mix and our customer offer along with the increased precision in our planning supply and demand has also contributed. We will continue allocating resources towards actions related to our decarbonisation levers to ensure we meet our long-term targets and objectives. This includes shifting towards recycled and sustainably sourced materials, adopting energy-efficient technologies, and sourcing renewable energy. These shifts may lead to increased costs of goods sold if implementation costs are passed on to us.

## Our actions to reduce GHG emissions



In parallel, we are adjusting our business model by scaling services that align with circular economy principles such as resale and garment collection, with investments made directly by H&M Group through our venture arm or brands. The purpose of these planned actions is to adopt our strategy and business model to ensure we contribute to the limiting of global warming to 1.5 °C. Read more about the outcome of our actions and our progress towards our climate targets on page 78.

**Our targets and actions**

To ensure we achieve our ambition and contribute to the limiting of global warming to 1.5°C, we have set targets related to our key actions and decarbonisation levers in alignment with our climate transition plan. We regularly review our climate targets and consult with external stakeholders such as WWF, Stand.earth, and the UNFCCC, to ensure the continual improvement of our targets, calculation methods, and operational strategies.

**Targets for 2030**

- Reduce absolute Scope 1 and 2 GHG emissions by 56 percent compared with 2019
- Reduce absolute Scope 3 GHG emissions (excluding indirect use-phase emissions) by 56 percent compared with 2019

**Targets for 2040**

- Reduce absolute Scope 1 and 2 GHG emissions by 90 percent compared with 2019
- Reduce absolute Scope 3 GHG emissions (excluding indirect use-phase emissions) by 90 percent compared with 2019
- Reach absolute net-zero GHG emissions

These targets are voluntary and not required by legislation. The baseline year of 2019 was chosen as it was not affected by the pandemic, and was representative for the business in general. It was part of the validation by the SBTi. For underlying assumptions and comment on our progress against these targets, see page 78.

**Decarbonising own operations**

To enable the decarbonisation of our own operations, we have set targets to reduce absolute Scope 1 and 2 GHG emissions by 90 percent by 2040 and 56 percent by 2030, against a 2019 baseline. These targets have been validated against SBTi's Net-Zero Standard and were formally approved by the SBTi during 2022 as being in line with what the latest climate science regards as necessary to limit global warming to 1.5°C above pre-industrial levels. To ensure we reach these targets, we plan to improve our energy efficiency and increase the share of renewable energy used in our stores, offices and warehouses.

*Action: Improving energy efficiency in own operations*

To reduce our Scope 1 and 2 GHG emissions, we have taken action to improve energy efficiency in our own operations during 2025. This action includes the deployment of real-time energy monitoring systems, installation of LED lighting and motion sensors, as well as adjustments of indoor temperatures in our stores. The aim of this action is to ensure we achieve a 36 percent reduction in electricity consumption per square metre and opening hour in all our stores by 2030, against a 2016 baseline. In 2025, we allocated a total of SEK 7.2 m OpEx and SEK 296.9 m CapEx towards these energy efficiency improvements. Based on our projections, this action is expected to reduce our Scope 1 and 2 market-based GHG emissions by around 1 percent by 2030, compared with our total emissions in 2019. This corresponds to an estimated reduction of around 389 tonnes of $CO_2$e.

*Action: Sourcing of renewable energy in own operations*

During 2025, we have taken action to increase the share of renewable energy that is matched with consumption in our stores, warehouses and offices. The aim of this action is to ensure that we reach 100 percent matching of renewable electricity for our own operations by 2030, with at least 50 percent coming from Virtual Power Purchase Agreements (VPPAs), driving the development of new renewable electricity generation. This will replace renewable electricity matched with unbundled EACs. This means that the VPPAs will not significantly reduce our market-based Scope 2 GHG emissions, but they will contribute to the expansion of new renewable energy capacity. In 2025, we allocated a total of SEK 59.2 m OpEx and SEK 2.9 m CapEx towards sourcing renewable energy, including leveraging VPPAs to support the development of new renewable electricity, installing on-site solar PVs, and procuring renewable energy attribute certificates. Based on our projections, this action is expected to reduce our market-based Scope 1 and 2 GHG emissions by around 55 percent by 2030, compared with our total emissions in 2019. This corresponds to an estimated reduction of around 37,766 tonnes of $CO_2$e.

**Decarbonising production**

To enable the decarbonisation of production processes in our garment supply chain from Tier 1 to 3, we have set targets to reduce absolute Scope 3 GHG emissions (excluding indirect use-phase emissions) by 90 percent by 2040 and 56 percent by 2030, compared with a 2019 baseline. These targets have been validated against the SBTi's Net-Zero Standard and were formally approved by the SBTi in 2022 as aligned with the latest climate science on limiting global warming to 1.5°C above pre-industrial levels. To meet these targets, we plan to improve energy efficiency and increase the share of renewable energy at supplier sites, and engage with policymakers in key production markets to improve access to renewable energy.

*Action: Improving energy efficiency in garment and fabric manufacturing*

During 2025, we have taken action to support our garment and fabric manufacturing suppliers to improve the energy efficiency of their production processes. This action includes providing suppliers with free energy audits to identify efficiency opportunities such as equipment upgrades, insulation, and heat pumps. We have also offered financing solutions for the adoption of cleaner technologies and equipment such as waterless dyeing and heat storage. The aim of this action is to generate financial savings for the suppliers, reduce energy usage, and increase the feasibility of electrifying processes, and thereby enable us to lower our emissions. In 2025, we allocated a total of SEK 27.1 m OpEx towards energy efficiency improvements within our supply chain. Based on our projections, this action is projected to deliver a 2 percent reduction in Scope 3 GHG emissions compared with a 2019 baseline, equivalent to around 81,306 tonnes of $CO_2$e by 2030.

*Action: Leveraging renewable energy in garment and fabric manufacturing*

The manufacturing of our products relies on the consumption of electricity and thermal energy. To reduce GHG emissions from production processes, we are therefore working with our suppliers in Tier 1, 2 and 3 with the aim to phase out on-site coal by 2026. In parallel, we encourage our suppliers to transition to the use of renewable energy sources. By 2030, we aim for all suppliers in Tier 1 to 3 to source 100 percent renewable electricity for the production of our garments – from spinning to finished product. To achieve this, there is a need for financial support to finance measures related to reducing GHG emissions in our garment supply chain. We contribute to this as a lead partner in the Apparel Impact Institute's (Aii) Fashion Climate Fund and as a driving force behind the Future Supplier Initiative under the Fashion Pact. We also provide direct financial support to our suppliers through our Green Fashion Initiative. In 2025, we invested SEK 24.6 m OpEx on activities related to the phase out of fossil fuels in garment and fabric manufacturing. Based on our projections, this action is projected to deliver a 38 percent reduction in Scope 3 GHG emissions compared with a 2019 baseline, equivalent to around 1,565,387 tonnes of $CO_2$e by 2030.

*Action: Advocating for systemic change*

We engage with policymakers and stakeholder platforms in our key markets to improve access to renewable electricity. Our primary focus is on promoting Corporate Power Purchase Agreements (CPPAs) to enable renewable procurement and accelerate grid decarbonisation. In 2025, actions included additional advocacy in Vietnam, where direct power purchase agreement (DPPAs) have been introduced in the legislation in 2024, but there is still lack clear guidance for price and participation of industrial zones. In Bangladesh, the CPPA framework has been approved, and a Memorandum of Understanding has been signed to pilot the first CPPA with key suppliers. In Indonesia, two strategic suppliers have signed Green Electricity Tariff Agreements (GEAS), while in Türkiye a strategic supplier signed the industry's first CPPA in the country. We also advocate for solid, transparent and internationally recognised Energy Attribute Certificates. Additionally, we have initiated policy strategies aimed at electrifying thermal processes and addressing critical issues such as grid capacity, stability, transition incentives, supplier load, and pricing. Although we are actively implementing actions to advocate for systemic change, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

**Decarbonising transports**

To enable the decarbonisation of transportation to and from our stores, warehouses and customers, we have set targets to reduce absolute Scope 3 GHG emissions (excluding indirect use-phase emissions) by 90 percent by 2040 and 56 percent by 2030, compared with a 2019 baseline. These targets have been validated against the SBTi's Net-Zero Standard and were formally approved by the SBTi in 2022 as aligned with the latest climate science on limiting global warming to 1.5°C above pre-industrial levels. To meet these targets, we plan to optimise logistics networks and expand low-emission transport solutions.

*Action: Optimising logistics and transition to low emission transports*

During 2025, we have taken action to optimise our logistics network, while expanding the use of zero-emission vehicles (ZEV). We have also increased the use of biofuels where EV charging infrastructure is not yet sufficient. In addition, we continue improving logistics efficiency by enhancing warehouse and transport configurations, reducing the number of journeys through greater use of parcel collection points instead of direct home delivery, improving load efficiency, consolidating shipments, optimising delivery schedules, and refining our returns management and store replenishment processes. We also assess climate risks related to our logistics network, secure insurance for vulnerable regions, and identify alternative supply routes to reduce climate-related financial and operational risks. Although we are actively implementing actions to optimise logistics, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified. Based on our projections, this action is projected to deliver a 3 percent absolute reduction in Scope 3 emissions by 2030, compared with 2019 levels. This corresponds to around 102,243 tonnes of $CO_2$e.

**Material shifts related to our resource use and inflows**

In alignment with our overall business idea and climate transition plan, we have set targets to increase the use of recycled and sustainably sourced materials in our products and packaging. These targets and associated actions are presented in more detail in 'Resource use and circular economy' on page 89.

*Action: Increasing use of recycled and sustainably sourced materials*

The extraction and production of raw materials such as cotton and wool generates GHG emissions, consumes water and impacts ecosystems. During 2025, we have therefore taken action to increase the use of recycled and sustainably sourced materials in our products and packaging. The aim of this action is to reduce negative environmental impacts by reducing our use of virgin materials and natural resources, while accelerating progress towards our emission targets. This action is ongoing and planned until 2030 for when we aim to source 100 percent recycled or sustainably sourced materials in our products and packaging. In 2025, we allocated a total of SEK 1,244.5 m OpEx on initiatives with the aim to increase our use of recycled and sustainably sourced materials. These figures are presented in more detail in 'Resource use and circular economy' on pages 88–93. Based on our projections, this action is projected to deliver a 13 percent reduction in Scope 3 GHG emissions by 2030, compared with 2019 levels. This corresponds to around 536,472 tonnes of $CO_2$e.

**Reaching net-zero**

In order to drive change within our industry and to support the global transition, we have also set a long-term climate target to become net-zero by 2040. This target is intended to be achieved by balancing the remaining emissions in our value chain with carbon removals in line with the SBTi Net-Zero Standard, after our emissions have been reduced by 90 percent compared with the 2019 baseline.

**GHG removal and storage projects**

To ensure our access to high-quality permanent carbon dioxide removals and to contribute to the development of this emerging sector, we began preparing for net-zero by taking early action in this field. In 2022, we signed our first contract for using direct air capture and storage with Climeworks. In addition to this, we are a member of Frontier – an advance market commitment that facilitates the purchase of permanent carbon dioxide removals from a portfolio of providers. These initiatives are focused on addressing our residual GHG emissions in 2040, which are expected to equal no more than 10 percent of our total GHG emissions in 2019 (our baseline level).

To date, we have entered into 23 offtake agreements for permanent carbon removals. These agreements mark a significant step forward and are intended to help stimulate market growth by signalling clear demand while encouraging continued investments. We have currently not developed any carbon removal projects within our value chain and do not make any claims to such projects. At the end of 2025, we have not cancelled any credits for permanent carbon removals, but we have received 388 tonnes. Our current offtake agreements are set up to deliver additional credits up until 2033. The credits are verified either under PURO or ISOMETRIC standards for permanent carbon dioxide removals. No additional assumptions or methodologies have been applied beyond those used by these standards.

**Initiatives beyond value chain mitigation**

To further contribute to the global transition to net-zero, we engage in nature-based projects that contribute to climate action beyond our value chain. Preventing deforestation and the destruction of natural ecosystems and habitats is crucial to mitigating climate change and limiting global warming to 1.5 °C. In 2022 we therefore joined the Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition as a corporate partner to support the preservation of forests. The coalition brings together public and private sector buyers to purchase high-quality carbon credits from governments, both national and subnational, that have implemented jurisdictional REDD+ programmes to reduce deforestation. These initiatives provide a viable economic alternative to forest harvesting and provide economic incentives to landowners in preserving forests and natural habitats. We were among the first companies to support the fight against deforestation in the Amazon rainforest with the LEAF Coalition and the deal with the Brazilian state Pará. Under this agreement, we expect to receive delivery of credits in 2027. For 2025 we have not retired or taken delivery of any carbon credits[1].

**Internal carbon pricing**

We apply an internal carbon pricing scheme to support and complement our broader efforts to reduce GHG emissions and achieve our emission reduction targets. This internal price functions as an operational shadow price, influencing decision-making within our operations by reflecting the price of carbon in our internal product income statement used by our assortment and sourcing teams. By including the price of emissions in the decision on a product level, we steer decisions towards lower GHG emission alternatives for materials and manufacturing facilities, therefore supporting the integration of our climate-related targets and policies into the business. In 2025, the internal carbon price was set at USD 20 per tonne of $CO_2$e. As it is used operationally and not tracked manually at the order level, a cap has been introduced to avoid disruptions to business operations.

The carbon price is applied to each order and covers emissions associated with raw material extraction, production processes in Tier 1 to 3, and transportation across the value chain. The carbon price covers the full H&M Group garment supply chain globally. In 2025, this represented around 57 percent of our total Scope 3 GHG emissions. Scope 1 and Scope 2 GHG emissions are not covered by the internal carbon price. The specific price was set as a function of the estimated cost of reaching our 2030 Scope 3 target and the baseline GHG emissions from the included activities. The carbon price is considered dynamic – it will be adjusted over time to reflect actual GHG emissions reductions from these activities. As these emissions decrease, the price is expected to rise, increasing its steering effect and supporting more ambitious operational decisions that may be needed to meet our targets.

The carbon price is not based on scientific principles. Additionally, as it is a shadow price and does not involve financial transactions, it is not reconciled with our financial statements. The carbon price used in financial climate risk analysis (TCFD) is based on expected carbon taxes and border adjustment mechanisms, and is not the same as the internal carbon price described here.

1. We make no claims of GHG-neutrality based on the purchase of these carbon credits.

**Our progress and results**

During 2025, our absolute Scope 1 and 2 GHG emissions decreased by 41 percent compared with 2019. The reduction since last year was mainly driven by the matching of renewable electricity with consumption in Australia, which contributed to lower emissions despite a marginal decline in our overall renewable electricity share from 96 percent in 2024 to 95 percent in 2025 due to updated RE100 criteria preventing matching in Romania and Serbia. The proportion of electricity matched through our VPPAs increased significantly to 49.1 percent, compared with 19.6 percent in 2024, as all VPPAs in Sweden and the United States came online. The share of renewable electricity coming from bundled certificates is 51.5 percent. In our stores the electricity intensity (kWh/$m^2$ per opening hour) decreased by 32 percent compared with the 2016 baseline.

Our 2025 absolute Scope 3 emissions under our science based target decreased by 34.6 percent compared with 2019 and 13.6 percent compared with last year, remaining well in line with our −56 percent 2030 target. Emission reductions were primarily driven by a decrease in total material weight and an increased share of recycled and sustainably sourced materials for commercial products and packaging material, see 'Resource use and circular economy', page 88. They were also supported by the shift to cleaner energy and energy efficiency improvements in our textile supply chain, where 48 percent of total electricity consumption was matched with renewables out of a total consumption of 1,127,954 MWh.

By the end of 2025, 10 Tier 1, 2, and 3 factories reported the use of on-site coal boilers, down from 118 in 2022, showing strong progress toward our aim of full phase-out by the end of 2026. Through our Green Fashion Initiative programme, 24 projects have been financed to date, and operational projects in 2025 resulted in a reduction of 146,939 tonnes $CO_2e$, of which 50,746 tonnes $CO_2e$ are attributable to H&M Group.

While emissions are still linked to resource use, total Scope 3 emissions per net revenue (tonnes $CO_2e$/SEK m) decreased by 33.4 percent compared with 2019 and 11.2 percent compared with last year. Based on our planned mitigation actions, our expected total GHG emissions reductions from 2019 to 2030 amount to 56 percent, in line with our science based targets for Scope 1, 2, and 3.

Biogenic emissions related to activities reported under Scope 1, 2 and 3 have not been calculated for 2025.

In terms of governance, 10 percent of remuneration in the long-term incentive programme ('LTIP 2025') was linked to climate-related considerations, supporting accountability for climate performance.

**Energy consumption and mix in own operations**

| | 2025 | 2024 | 2023 | 2019 |
|---|---|---|---|---|
| **Total fossil energy consumption (MWh)** | **147,347** | **153,899** | **177,540** | **227,826** |
| Percentage of fossil sources in total energy consumption (%) | 13 | 13 | 15 | 13 |
| **Total fossil fuel consumption (MWh)** | **78,535** | **77,844** | **78,426** | **109,413** |
| Fuel consumption from coal and coal products (MWh) | 0 | 0 | 0 | 0 |
| Fuel consumption from crude oil and petroleum products (MWh) | 11,304 | 13,266 | 12,714 | 17,567 |
| Fuel consumption from natural gas (MWh) | 67,231 | 64,578 | 65,712 | 91,846 |
| Fuel consumption from other fossil sources (MWh) | 0 | 0 | 0 | 0 |
| Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)[1] | 68,812 | 76,055 | 99,114 | 118,414 |
| **Consumption from nuclear sources (MWh)** | **8,205** | **N/A** | **N/A** | **N/A** |
| Percentage of consumption from nuclear sources in total energy consumption (%) | 1 | N/A | N/A | N/A |
| **Total renewable energy consumption (MWh)** | **991,316** | **1,019,965** | **1,041,762** | **1,593,835** |
| Percentage of renewable sources in total energy consumption (%) | 86 | 87 | 85 | 87 |
| Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh) | 0 | 0 | 0 | 0 |
| The consumption of self-generated non-fuel renewable energy (MWh) | 6,187 | 5,823 | 4,771 | 0 |
| Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh) | 985,129 | 1,014,142 | 1,036,991 | 1,593,835 |
| Renewable energy production (in MWh) | 6,199 | 5,843 | 4,771 | 0 |
| **Total energy consumption (MWh)** | **1,146,868** | **1,173,864** | **1,219,302** | **1,821,661** |
| Total energy consumption for activities in high climate impact sectors (MWh)[2] | 1,146,868 | 1,173,864 | 1,219,302 | 1,821,661 |
| Total electricity consumption in own operations (MWh) | 1,040,986 | 1,073,674 | 1,118,172 | 1,660,243 |
| Share of renewable electricity in own operations (%) | 95 | 96 | 94 | 96 |
| Share of electricity from power purchase agreements with new renewable electricity generation (%) | 49.1 | 19.6 | 10.2 | 0 |

1. Prior to 2025, the consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh) includes all non-renewable energy.
2. All activities classified as European Union (NACE): G47.5 – Retail sale of other household equipment in specialised stores.

**Energy consumption per net revenue[1] for own operations**

| | 2025 | 2024 | 2023 | 2019 |
|---|---|---|---|---|
| Energy intensity per net revenue (MWh/SEK m) | 5 | 5 | 5 | 8 |

1. Net revenue used to calculate intensity values was SEK 228,285 m, as reported in the consolidated financial statements.



**Achieved GHG emissions reductions**

| | | Retrospective | | | | Targets | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2023 | Baseline (2019) | Comparison (2025/2024 %) | 2030 | 2040 | Annual % 2030 target / baseline | Comparison (2025/2019 %) |
| **Scope 1 GHG emissions** | | | | | | | | | |
| Gross Scope 1 GHG emissions ($tCO_2e$) | 17,039 | 17,002 | 17,050 | 22,738 | 0.2 | | | | −25.1 |
| Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%) | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| **Scope 2 GHG emissions** | | | | | | | | | |
| Gross location-based Scope 2 GHG emissions ($tCO_2e$) | 337,786 | 372,984 | 378,730 | 658,763 | −9.4 | | | | −48.7 |
| Gross market-based Scope 2 GHG emissions ($tCO_2e$) | 25,131 | 28,492 | 40,554 | 48,735 | −11.8 | | | | −48.4 |
| **Total Scope 1 and 2 GHG emissions ($tCO_2e$)** | **42,170** | **45,493** | **57,604** | **71,473** | **−7.3** | **−56%** | **−90%** | | **−41** |
| **Scope 3 GHG emissions ($tCO_2e$)** | | | | | | | | | |
| 1. Purchased goods and services | | | | | | | | | |
| Raw material | 1,113,000 | 1,238,000 | 1,153,000 | 1,846,000 | −10.1 | | | | −39.7 |
| Fabric production | 2,164,000 | 2,630,000 | 2,632,000 | 3,388,000 | −17.7 | | | | −36.1 |
| Garment manufacturing | 212,000 | 253,000 | 225,000 | 224,000 | −16.2 | | | | −5.4 |
| Non-garment goods | 256,000 | 328,000 | 313,000 | 594,000 | −22 | | | | −56.9 |
| Packaging | 103,000 | 110,000 | 145,000 | 235,000 | −6 | | | | −56.1 |
| Other expenditures | 378,000 | 397,000 | 385,000 | 416,000 | −4.7 | | | | −9.3 |
| 2. Capital goods | N/A | N/A | N/A | N/A | N/A | | | | N/A |
| 3. Fuel and energy-related activities (not included in Scope 1 and Scope 2) | 39,000 | 32,000 | 29,000 | 39,000 | 20.2 | | | | −1.2 |
| 4. Upstream transportation and distribution | 379,000 | 414,000 | 309,000 | 445,000 | −8.5 | | | | −14.8 |
| 5. Waste generated in operations | 2,000 | 2,000 | 2,000 | 2,000 | 34.2 | | | | 18.2 |
| 6. Business travel | 40,000 | 38,000 | 35,000 | 52,000 | 5.6 | | | | −22.7 |
| 7. Employee commuting | 30,000 | 25,000 | 28,000 | 44,000 | 20.3 | | | | −31.3 |
| 8. Upstream leased assets | N/A | N/A | N/A | N/A | N/A | | | | N/A |
| 9. Downstream transportation | N/A | N/A | N/A | N/A | N/A | | | | N/A |
| 10. Processing of sold products | N/A | N/A | N/A | N/A | N/A | | | | N/A |
| 11. Use of sold products | 1,948,000 | 2,158,000 | 2,052,000 | 2,713,000 | −9.7 | | | | −28.2 |
| 12. End-of-life treatment of sold products | 87,000 | 95,000 | 87,000 | 101,000 | −9.2 | | | | −13.9 |
| 13. Downstream leased assets | N/A | N/A | N/A | N/A | N/A | | | | N/A |
| 14. Franchises | 31,000 | 32,000 | 50,000 | 50,000 | −3.8 | | | | −38.2 |
| 15. Investments | 31,000 | 32,000 | 45,000 | 6,000 | −4.1 | | | | 389.9 |
| **Total Scope 3 emissions under our science based target (excluding use-phase emissions)[1] ($tCO_2e$)** | **4,865,000** | **5,628,000** | **5,438,000** | **7,442,000** | **−13.6** | **−56%** | **−90%** | | **−34.6** |
| Total gross indirect (Scope 3) GHG emissions ($tCO_2e$)[2] | 6,813,000 | 7,786,000 | 7,491,000 | 10,156,000 | −12.5 | | | | −32.9 |
| **Total GHG emissions** | | | | | | | | | |
| Total GHG emissions (location-based) ($tCO_2e$) | 7,167,000 | 8,176,000 | 7,886,000 | 10,837,000 | −12.3 | | | | −33.9 |
| Total GHG emissions (market-based) ($tCO_2e$) | 6,855,000 | 7,831,000 | 7,548,000 | 10,227,000 | −12.5 | | | | −33 |

1. For Scope 3 emissions under our science based target: Excluding indirect GHG emissions from use of sold products. These emissions are not within the 'minimum boundary' for category 11 (use of sold products) of the GHG Protocol's Scope 3 standard. SBTi does not include such optional emissions in the target boundary for science based targets.
2. Scope 3 GHG emissions were calculated using 26 percent primary data.

**GHG intensity per net revenue[1] (tonnes $CO_2e$/SEK m)**

| | 2025 | 2024 | 2023 | 2019 | Comparison (2025/2024 %) | Comparison (2025/2019 %) |
|---|---|---|---|---|---|---|
| Total Scope 1 emissions intensity value | 0.07 | 0.07 | 0.07 | 0.10 | 2.9 | −23.6 |
| Total location-based Scope 2 emissions intensity value | 1.48 | 1.59 | 1.60 | 2.83 | −7 | −47.7 |
| Total market-based Scope 2 emissions intensity value | 0.11 | 0.12 | 0.17 | 0.21 | −9.4 | −47.4 |
| Total Scope 1 and Scope 2 market-based emissions | 0.18 | 0.19 | 0.24 | 0.31 | −4.8 | −39.8 |
| Total Scope 3 emissions intensity value | 30 | 33 | 32 | 44 | −10.1 | −31.6 |
| Total Scope 3 emissions excluding use-phase emissions intensity value | 21 | 24 | 23 | 32 | −11.2 | −33.4 |
| Total GHG emissions (location-based) per net revenue | 31 | 35 | 33 | 47 | −10 | −32.6 |
| Total GHG emissions (market-based) per net revenue | 30 | 33 | 32 | 44 | −10.1 | −31.7 |

1. Net revenue used to calculate intensity values was SEK 228,285 m, as reported in the consolidated financial statements.

**Assumptions and accounting principles**
H&M Group's reporting of climate and energy data is done in accordance with the requirements as set out in ESRS – see 'Basis for preparation of the sustainability statement' and 'Disclosures in relation to specific circumstances' on page 63 for more information.

### Energy consumption and mix in own operations
Energy consumption includes all stores, offices, distribution centres, and vehicles under financial and operational control. Consumption is based primarily on metered and invoiced data, complemented by estimates – using reasonable proxies such as average energy use per square metre, historical consumption patterns, and average distance per vehicle – where actual data is unavailable. Renewable energy consumption is primarily achieved through electricity matched with EACs (unbundled procurement), and VPPAs (bundled procurement), all aligned with RE100 criteria. The consumption of self-generated non-fuel renewable energy includes all self-generated renewable electricity not sold to grid. Fossil and nuclear energy sources in electricity mixes are calculated for countries without renewable electricity coverage, using the nuclear or fossil share of their respective grid mix.

### Energy intensity per net revenue for own operations
Energy intensity is calculated as total energy consumed divided by net sales as reported in the consolidated financial statements. The metric covers the same organisational boundary, reporting period, energy sources and consumption as disclosed in Energy consumption and mix.

### GHG emission inventory and achieved reductions
GHG emissions are reported per GHG Protocol and ESRS E1, using the operational control approach. These emissions are expressed in tonnes of $CO_2$ equivalent ($CO_2e$), and include $CO_2$, $CH_4$, $N_2O$, and relevant F-gases based on 100-year global warming potentials (GWP) from IPCC AR5. Emission factors that are used correspond to each relevant year, unless otherwise specifically stated. Biogenic emissions related to activities reported under Scope 1, 2, and 3 have not been calculated for 2025.

*Scope 1 GHG emissions*
Scope 1 GHG emissions include all direct greenhouse gas emissions from own operations under financial and operational control, including onsite fuel use, company vehicles, and refrigerant leakage from cooling systems. Calculations are based on consumption and emission factors from DESNZ (2025). For company cars a per-kilometre emission value per fuel type from DrivkraftSverige (2025) are used. For refrigerants the leakage is estimated, and impact is calculated using GWP factors from IPCC AR5. Where consumption data is unavailable, reasonable proxies are applied to ensure completeness.

*Scope 2 GHG emissions*
Scope 2 GHG emissions include indirect emissions from purchased electricity, and district heating used in stores, offices and distribution centres. Emissions are reported using both the market-based method (reflecting certificates purchased or generated through VPPAs, complying with the current RE100 technical criteria, and the residual mix factors where available, or IEA grid factors) and the location-based method (reflecting the average grid mix in each country based on IEA grid factors). Calculations are based on energy consumption and applicable annual emission factors from IEA (2025). Where consumption data is unavailable, reasonable proxies are applied to ensure completeness.

*Scope 3 GHG emissions*
Scope 3 GHG emissions include indirect GHG emissions that occur in H&M Group's value chain, upstream and downstream. Scope 3 is calculated in accordance with the Greenhouse Gas Protocol Value Chain Accounting and Reporting Standard (2011). As part of the SBTi's validation of H&M Group's net-zero and near-term targets, all the categories in Scope 3 were screened, collecting relevant proxy data where primary data was not available, to identify all relevant emission sources across the H&M group's activities. Relevance was identified based on the absence of activities within some of the categories (such as Category 10) and the estimated emissions within others. No activities with relevant climate impact have been identified for categories 2, 8, 9, 10, and 13 and these are therefore excluded from disclosure. We report optional emissions for indirect use-phase in Category 11.

*Category 1 – Purchased goods and services*
- **Raw material production** – Calculations are based on material weights combined with recognised lifecycle emission factors, primarily from the HIGG MSI database (2025). Where specific data is unavailable, conservative assumptions are applied to ensure completeness.
- **Fabric production and garment manufacturing** – Emissions from fabric production (Tier 2 and 3) and garment manufacturing (Tier 1). These include all textile products. Calculations are based on product weights, process energy requirements from the Apparel Impact Institutes (Aii) Energy and Carbon Benchmark V1.0 (2025), and the energy mix at production units or country grid factors where the factory specific energy mix is not available. Adjustments are made for material loss rates, verified renewable energy use and energy efficiency improvements at suppliers. Primary data is used where available; otherwise, standardised process energy values combined with country grid factors are applied. Emission factors from IEA (2025) and US EPA (2025).
- **Non-garment goods** – Includes non-textile accessories and non-textile goods. Calculations are based on material weights and HIGG MSI emission factors (2025), and average emissions per piece based on primary data or the HIGG FEM database (2025). Where exact product specifications are missing, conservative assumptions are applied.
- **Packaging** – Calculations are based on material weights and HIGG MSI emission factors (2025). Where exact material specifications are missing, conservative assumptions are applied.
- **Other expenditures** – Calculations are based on financial spend data on a category level combined with recognised economic input-output emission factors from DESNZ (2025).

*Category 3 – Fuel- and energy-related activities*
Calculations are based on energy consumption in own operations, combined with emission factors from DESNZ (2025), NREL (2012) and DOE (2015 and 2016). The share of renewable energy from each generation type (solar, wind, etc.) is based on the previous year's shares, as the breakdown of generation types for the reporting year is not yet available at the time of reporting.

*Category 4 – Upstream transportation and distribution*
Calculations are based either on fuels used reported by transport service providers, or by a combination of mode of transport, distance, and weight, applying emission factors from NTM (2025). Where primary data is unavailable, estimates are based on standard routes and historical modal splits.

*Category 5 – Waste generated in operations*
Product waste, packaging waste, and other operational waste from distribution centres and stores. Non-product waste generated in stores and offices is excluded, as most of this waste is managed collectively through landlords and is therefore not possible to track. Calculations are based on waste volumes by treatment type (e.g., recycling, landfill, incineration) and applying emission factors from DESNZ (2022). Volumes and treatment-type estimates are made to complement missing historical data.

*Category 6 – Business travel*
Calculations are based on travel expenses, which are used for estimating emissions based on mode of transport. Spend based emission factors from DESNZ (2025).

*Category 7 – Employee commuting*
Calculations are based on number of employees, transport distances and modal split assumptions, and average emission factors from DESNZ (2017) and Trafikverket (2025).

*Category 11 – Use of sold products*
Indirect use-phase emissions from energy used during customer care, such as washing, drying and ironing. Calculations are based on product group-specific assumptions for care frequency and energy use from Cascale's Product Module, combined with country level electricity emission factors from IEA (2025).



*Category 12 – End-of-life treatment of sold products*
Calculations are based on product weights, sales data and country-specific waste statistics on treatment types. These include export statistics, and the waste management in importing countries. Global emission factors from DESNZ (2022) have been applied for all countries. Where waste statistics or export/import data are not available, conservative estimates were applied.

*Category 14 – Franchises*
Calculations are based on franchisee floor area, combined with H&M Group global retail average of energy intensity and national emission factors from IEA (2025).

*Category 15 – Investments*
Scope 1 and 2 emissions, as well as material Scope 3 emissions of companies where H&M Group has a controlling majority, are integrated into the H&M group's Scope 1, 2 and 3 reporting, and are not included in Category 15. For investments where the H&M group has no controlling majority, Scope 1 and 2 are included in Category 15. Calculations are based on an operational control approach using financial data, combined with Exiobase (2018) emission intensity factors by industry, mapped with NACE codes.

### GHG intensity per net revenue
GHG intensity is calculated as total greenhouse gas emissions (Scope 1, Scope 2 location-based, Scope 2 market-based, and all relevant Scope 3 categories) divided by net sales as reported in the consolidated financial statements. The metric covers the same organisational boundary, reporting period, energy sources and consumption, as disclosed in Achieved GHG emissions reductions.

### Financial resources allocated
Financial resources include CapEx and OpEx for activities such as decarbonisation, renewable energy, upcharge for sustainably sourced or recycled materials, and resale. These expenditures have been categorised under inventory, cost of goods sold, equipment, tools, fixtures and fittings, selling expenses, and administrative expenses. Figures are based on both audited financial data, as well as upcharge costs for recycled and sustainably sourced materials and renewable electricity used in production. The selection of cost items differs from those used in the EU Taxonomy, which results in certain differences in scope between the respective reporting. For more information see note 1 Accounting principles to the financial statements on page 151.

### Green Fashion Initiative
The number of projects financed through Green Fashion Initiative (GFI) comprises the total number of projects financed on the last day of the reporting year. Emission reductions achieved are calculated based on a combination of metering, supplier energy data, estimates based on conservative assumptions and emission factors from IEA (2025) and US EPA (2025).

### Decarbonising production
The electricity consumption and share of renewable electricity in our supply chain includes reported electricity from supplier units in Tier 1 to 3. Calculations are only based on actual data and no estimates were used for these figures. Number of suppliers reporting the use of on-site coal is based on the third quarter of 2025.

### Expected reductions
Calculations are based on a forecast model to estimate emissions and reductions from planned actions. To calculate the impact of a specific action, we create a 'business as usual' (BAU) scenario by removing that action from the forecast while keeping all others unchanged. We then compare this BAU scenario with the 2030 forecast to determine the expected reduction from that action.

### Improving data quality and calculation changes
We continually work to improve our data availability and quality to calculate our GHG emissions as accurately as possible. See details of specific changes and their impact on our previously reported figures (2024 and baseline 2019) below:

- We have improved the alignment between our financial accounting and emission factor categories for other expenditures (category 1). The change has been applied for 2025 as well as for the previous years. This change has led to a decrease in emissions from other expenditures by 29 percent or 164,000 tonnes $CO_2e$ for 2024 and a 41 percent or 290,000 tonnes $CO_2e$ decrease for 2019 compared to what was reported in our 2024 annual and sustainability report.
- For fabric production and garment manufacturing (category 1), we have transitioned from using Higg MSI emission factors to those provided by the Aii's Energy and Carbon Benchmark V1.0. The Energy and Carbon Benchmark V1.0 provides a more process-specific energy requirement that allows us to more accurately capture both emissions and energy improvements at our suppliers' factories and includes only the energy consumed on-site. This means we see a significantly lower total energy use, and as a result lower emissions, across all years. We believe this more accurately represents the energy use and corresponding emissions. This change corresponds to a decrease of 31 percent or 1,269,000 tonnes $CO_2e$ for 2024 and a 30 percent or 1,574,000 tonnes $CO_2e$ decrease for 2019 compared to what was reported in our 2024 annual and sustainability report.
- Business travel emissions (category 6) have been recalculated with a spend-based approach to secure completeness. We plan to expand the share of primary data and integrate it into our calculations when it covers most of the countries where we operate. This change has led to an increase of 46 percent or 12,000 tonnes $CO_2e$ for 2024 and a 126 percent or 29,000 tonnes $CO_2e$ increase for 2019 as compared to what was reported in our 2024 annual and sustainability report.
- For end-of-life treatment of sold products (category 12), estimates for non-garments and packaging material have been added, and updated the method for sold garments. This change has led to an increase of 46 percent or 30,000 tonnes $CO_2e$ for 2024 and an 38 percent or 28,000 tonnes $CO_2e$ increase for 2019 as compared to what was reported in our 2024 annual and sustainability report.
- In addition to these, there are some minor changes in fuel and energy-related activities (category 3), upstream transports (category 4), waste in operations (category 5), and investments (category 15). Together, these lead to an increase of 2 percent or 10,000 tonnes $CO_2e$ for 2024, and a 1 percent or 10,000 tonnes $CO_2e$ decrease for 2019 as compared to what was reported in our 2024 annual and sustainability report.
- For our Scope 1 emissions, minor adjustments have been made. Diesel consumption in stores has been estimated, and fuel oil consumption has been corrected. For Scope 2, self-generated and consumed electricity has been added. For our total emissions in Scope 1 and 2, these changes correspond to an increase of 9 percent, or 3,838 tonnes of $CO_2e$ for 2024, and an increase of 2 percent, or 1,174 tonnes of $CO_2e$ for 2019, compared to what was reported in our 2024 annual and sustainability report.

For our full Scope 3 emissions, including the use-phase, all these changes correspond to a decrease of 11 percent or 984,000 tonnes $CO_2e$ for 2024 and a 13 percent or 1,528,000 tonnes $CO_2e$ decrease for 2019 compared to what was reported in our 2024 annual and sustainability report. All these changes have been applied to historical results across all reporting years.

# Water pollution

**Our ambition, steering and strategy**
Our ambition is to prevent, limit and control pollution by eliminating hazardous discharges into water. Since the most significant pollution-related impacts occur in our upstream value chain, particularly in wet processing facilities, close collaboration with our suppliers and business partners is essential to ensure we achieve this ambition. Therefore, we focus our efforts on minimising water pollution and improving wastewater management by ensuring chemical compliance within our supply chain through the implementation of policies and standards. These efforts are embedded in our business model and strategy – from how we set requirements for suppliers to how we collaborate across the industry to drive systemic change. In addition, we work closely with our suppliers to prevent and control the presence of hazardous substances and to secure the quality of wastewater discharge including limiting the release of microfibres and microplastics into the environment. To strengthen our strategic direction, we actively engage in multi-stakeholder initiatives such as the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation and the Microfibre 2030 Commitment. These collaborations help us stay at the forefront of innovation and best practice, while ensuring our strategy remains resilient and responsive to emerging environmental challenges.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Pollution of water in the supply chain** | | |
| We rely on conventional textile manufacturing methods, which include the use of chemicals to dye and finish textiles and garments. The use of chemicals during the textile manufacturing process could potentially pollute local water resources if they are not managed well, impacting the surrounding environment. | To address this matter, we assess the functionality of on-site effluent treatment plants and test wastewater regularly, while monitoring chemical inputs across our supply chain to ensure compliance with ZDHC MRSL, aiming to minimise water pollution and hazardous chemical use. | H&M Group's environmental policy, sustainability commitment and chemical restrictions list |
| **Generation of microfibres and microplastics** | | |
| Microfibres and microplastics are released from textile products during several stages throughout our value chain, including production, use and end-of-life when our customers are washing and drying their clothes that could end up in waterways and pollute ecosystems. | To address this matter, we are supporting scientific research on microfibre shedding and evaluating available treatment technologies. We collaborate with industry organisations and research initiatives to explore scalable solutions and assess their applicability within the apparel and textile sector. | H&M Group's environmental policy and sustainability commitment |

**The identification and assessment of material matters**
As part of our due diligence and double materiality assessment process, we have systematically assessed pollution-related impacts, risks and opportunities along our value chain, with a particular focus on chemical use and wastewater discharge in the upstream value chain. The assessment includes monthly chemical reports via the Zero Discharge of Hazardous Chemicals (ZDHC) gateway and the annual testing of wastewater in alignment with the ZDHC Wastewater Guidelines. These guidelines apply to our suppliers within the textile, apparel, leather and footwear industry with wet processing facilities, and to strengthen oversight we conduct unannounced testing at supplier facilities to verify adherence to the guidelines. These methodologies help us to not only identify and assess current impacts, but also potential future impacts based on the supplier's capability and geographic location.

In parallel, we actively engage in multi-stakeholder initiatives such as the ZDHC Foundation to strengthen our understanding of chemical and water pollution challenges, and to align our assessment approach with industry best practices. These collaborations bring together companies, NGOs, and other stakeholders, contributing to knowledge sharing and joint problem-solving. Recognising the importance of stakeholder input, we are currently reviewing and enhancing our engagement practices – particularly in affected communities near high-risk regions. This forms part of our broader strategy, ensuring that both actual and potential pollution-related impacts are addressed proactively.

In our downstream value chain, we identify pollution-related risks primarily through targeted product testing, based on material type and assessed risk. These tests follow the H&M group's chemical restrictions and are supported by our restricted substances list, which is aligned with the AFIRM Group's Restricted Substances List (RSL). Water pollution in our value chain mainly occurs during manufacturing, not within our own operations. Due to limited industry-wide data and methodologies, we currently cannot quantify these emissions. We are working to improve data collection and aim to disclose more detailed information in future reports.

We also recognise the release of microfibres and microplastics as a significant environmental concern linked to both the production and usage of our products. However, due to the absence of a standardised industry methodology for assessing and mitigating microfibre shedding, it remains challenging to quantify the full impact on ecosystems and human health. To address this, we are a founding signatory of the Microfibre 2030 Commitment, led by The Microfibre Consortium (TMC). Through this initiative, we support collaborative research and innovation to reduce fibre fragmentation. As part of our commitment, we are working to integrate fibre fragmentation testing into our material selection and product development processes.

**Policies related to chemical use and water pollution**
To manage matters related to pollution, we are guided by our environmental policy and chemical restrictions list, which include commitments to secure chemical compliance and quality of wastewater discharge. These policies address matters related to chemical use and water pollution. This encompasses the prevention and controlling of hazardous chemicals and substances including substance of concern (SOC), substance of very high concern (SVHC), microfibres and microplastics. In addition, our sustainability commitment, which must be signed by all our business partners, contain requirements for suppliers to ensure safe chemical handling, wastewater treatment, and hazardous waste management. Local environmental management systems and the OHS Guideline provide additional requirements for incident preparedness and response, with corrective measures required immediately if incidents occur. Read more about our policies and commitments on page 120.

**Our targets and actions**
To achieve our ambition of preventing, limiting and controlling pollution, we have set targets related to the use of hazardous chemicals and discharges into water in our supply chain. While our targets are not formally validated by an external third party, they are developed in close collaboration with WWF and are regularly reviewed to ensure alignment with scientific evidence and contextual risk, and to strengthen our calculation methodology and wastewater management procedures. The ZDHC standards themselves are grounded in scientific evidence and widely adopted across the industry.



**Targets for 2025**
- Maintain 100 percent share of Tier 1 and 2 production units with on-site effluent treatment plants discharged water quality that is ZDHC wastewater compliant (Foundation Level)

**Targets for 2030**
- Increase the use of chemicals in Tier 1 and 2 production units assured to meet ZDHC MRSL requirements to 95 percent

These targets are voluntary and not required by legislation. For underlying assumptions and comment on our progress against these targets, see 'Our progress and results'.

**Minimising water pollution**
We have set a target to achieve 95 percent compliance with ZDHC Manufacturing Restricted Substances List (MRSL) for all processing units in Tier 1 and 2 of our supply chain by 2030. In addition, we have set a target to achieve 100 percent compliance with the ZDHC Wastewater Guidelines (Foundation Level) by 2025 for all processing units in Tier 1 and 2 of our supply chain with on-site effluent treatment plants (ETP), ensuring that discharged water quality meets ZDHC's minimum environmental requirements. These targets have not been validated by an external party. To ensure we reach these targets and fulfil our policy commitments, we will continue monitoring wastewater discharge and collaborate with industry partners to advance product safety through shared insights, best practices, and support for global standards.

*Action: Securing quality of wastewater discharge*
In 2025, we continued our efforts to strengthen wastewater quality compliance by conducting periodic testing of discharged wastewater and assessing the operational effectiveness of effluent treatment processes at supplier facilities in Tier 1 and 2 equipped with on-site effluent treatment plants (ETP). These activities, ongoing since 2023, ensure that wastewater quality is regularly monitored against the ZDHC Wastewater Guidelines, with a focus on priority pollutants. In cases of non-compliance, suppliers are required to implement corrective actions, followed by immediate retesting. Monthly follow-up testing is conducted until consistent compliance is demonstrated. These measures support improved discharge quality and chemical management, contributing to safer products and enhanced environmental protection. Although we are actively implementing actions to secure the quality of wastewater discharge, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Ensuring chemical compliance*
In 2025, we also continued our commitment to chemical compliance by applying the AFIRM Restricted Substances List (RSL) and the ZDHC Manufacturing Restricted Substances List (MRSL) in our supply chain. Textile and leather suppliers were actively supported in implementing the ZDHC Wastewater Guidelines and Chemical Management System to strengthen product safety and environmental performance. During the year, all relevant supplier units within the chemical scope underwent annual wastewater testing, with results publicly disclosed through the Detox.Live platform. In addition, suppliers submitted monthly chemical usage data to the ZDHC Gateway Chemical Module, generating InCheck performance reports to monitor chemical use, assess MRSL compliance, and guide the transition to safer alternatives. These actions helped improve traceability and compliance throughout our supply chain. Although we are actively implementing actions to ensuring chemical compliance, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

**Our progress and results**
During 2025, we maintained steady progress toward our target of ensuring that 95 percent of chemicals in Tier 1 and 2 production units are assured to meet ZDHC MRSL requirements. We also reached 100 percent of Tier 1 and 2 production units with ETP discharged water quality that is ZDHC wastewater compliant at Foundational Level. This progress reflects our long-standing focus on improving ETP functionality and carrying out unannounced wastewater testing.

We continued our work to minimise microfibre pollution by supporting The Microfibre Consortium's collaborative research and innovation to reduce fibre fragmentation. We also began integrating fibre fragmentation testing into our material selection and product development processes.

**Water pollution in the supply chain**

| | | Targets (%) | |
|---|---|---|---|
| | 2025 | 2025 | 2030 |
| Percentage of Tier 1 and 2 production units with ETP discharged water quality that is ZDHC wastewater compliant (Foundation Level) (%) | 100 | Maintain 100 | |
| Percentage of chemicals in Tier 1 and 2 production units assured to meet ZDHC MRSL requirements (%) | 92.6 | | 95 |

**Assumptions and accounting principles**
H&M Group's reporting of pollution data is done in accordance with the requirements as set out in ESRS – see 'Basis for preparation of the sustainability statement' and 'Disclosures in relation to specific circumstances' on page 63 for more information.

**ETP discharge water quality**
Covers Tier 1 and 2 wet processing units with on-site ETPs. Compliance is based on the ZDHC Wastewater Guidelines (Foundational Level) for Chemical Oxygen Demand (COD), Biological Oxygen Demand (BOD), Total Suspended Solids (TSS), pH, and temperature, and verified through biannual wastewater testing by accredited third-party laboratories against ZDHC thresholds. The metric is calculated as the percentage of production units in scope meeting these requirements. No estimation is applied; only verified test results are included.

**ZDHC MRSL requirements**
Covers Tier 1 and 2 production units using chemicals. Compliance is based on the percentage of chemical products assured to meet the ZDHC Manufacturing Restricted Substances List (MRSL) and verified through ZDHC-approved platforms and Performance InCheck reports. The methodology aligns with the ZDHC Roadmap to Zero Programme. No estimation is applied.

# Water use

**Our ambition, steering and strategy**
Our ambition is to contribute to the protection and preservation of freshwater resources globally. To achieve this, we focus our efforts on reducing absolute freshwater use within our supply chain by using innovative technologies that improve water efficiency and increase water recycling. The aim of these efforts is to reduce our dependence on freshwater withdrawals in upstream production processes. In 2024, we conducted a climate-related scenario analysis covering water-related risks to assess the resilience of our business.

While no individual risk was deemed financially material at the H&M group level, the findings informed our prioritisation of high-risk sites and guided the development of targeted mitigation actions. These actions include water stewardship initiatives, investments in water-efficient technologies, and supplier engagement activities – aimed at directly addressing risks related to activities in our supply chain. By partnering with our suppliers, we work to address global water challenges including issues related to water scarcity and quality to ensure our strategy remains resilient and responsive to water risks.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Water withdrawals and consumption in the supply chain** | | |
| Our business relies on access to water in the production process, particularly during wet processing stages carried out by our Tier 1 and 2 suppliers. This intensive use can contribute to the depletion of freshwater resources, especially in regions with limited water availability, which could impact ecosystems and the surrounding environment. | To address this matter, we monitor water intensity in wet processing at our Tier 1 and 2 supplier sites to identify high-impact areas and enable targeted freshwater reduction strategies. In addition, we support our suppliers in adopting water recycling and water-efficient technologies in their production processes to reduce reliance on freshwater withdrawals. | H&M Group's environmental policy and sustainability commitment |

**The identification and assessment of material matters**
To identify and manage water-related impacts, risks and opportunities, we have integrated water considerations into our broader environmental due diligence, scenario analysis, and double materiality analysis process. This comprehensive approach begins with a value chain-wide screening of water dependencies and impacts, with a particular focus on upstream activities such as raw material extraction and production processes, especially those involving water-intensive processes. This screening is conducted using the WWF Water Risk Filter tool that evaluates both basin-level and operational water risks across 12 risk categories. These cover physical risks such as water scarcity, flooding, droughts, and water quality degradation, as well as regulatory and reputational risks. The tool enables us to map site-specific exposures by overlaying supplier and operational locations with basin risk data, providing clear insights into current and projected risks under different climate conditions.

To further support forward-looking risk management, we conducted a qualitative climate-related scenario analysis in 2024 covering an assessment of physical water-related risks along our value chain. The scenario analysis revealed exposure to water scarcity risks in our upstream supplier regions, although no individual risk was determined to be financially material at the H&M group level. Furthermore, we examined the resilience of our business model and key supplier investments under future climate-related scenarios where water scarcity would be a reality. The findings were integrated into our double materiality analysis and risk management process, helping to prioritise supplier sites at high risk of water stress and inform our mitigation actions and business contingency planning.

In addition, we gather insights through ongoing stakeholder engagement and systematic data collection on water consumption and discharge at key supplier sites. This includes all our suppliers engaged in wet processing in Tier 1 and 2. These insights are critical for refining our understanding of local water challenges and potential impacts, particularly in water-stressed sourcing regions. Our stakeholder engagement process includes interviews, multi-stakeholder workshops, and collaboration with local actors, often in partnership with expert organisations such as WWF. These consultations allow us to ensure that our process to identify and assess water-related risks considers local realities and that our mitigating activities contribute to shared water stewardship targets.

In high-risk regions, we are committed to deepening stakeholder engagement further by integrating local perspectives into our adaptation planning, resilience-building efforts, and target-setting processes. This approach will strengthen our ability to identify water-related risks and negative impacts in alignment with stakeholder and regulatory expectations. While downstream value chain activities are not yet systematically screened as part of our water risk identification process, we are continuously evaluating their relevance and materiality through our broader stakeholder engagement activities.

**Policies related to water use**
To manage matters related to water we are guided by our environmental policy, which commits us to reducing negative environmental impacts and collaborate with stakeholders to manage water sources. The policy addresses water use, water treatment, and pollution prevention. Furthermore, our water management instruction supports our efforts to monitor water consumption, ensure wastewater quality standards, and report water-related data in a consistent manner. While we have not adopted dedicated policies on oceans and seas, H&M Group supports the protection of arctic ecosystems and local communities by signing the Arctic Corporate Shipping Pledge. In addition, our sustainability commitment, which must be signed by all business partners, sets binding requirements for water management. These include metering and quarterly reporting of withdrawals, separate tracking of water used in wet processing, and treatment of industrial wastewater, with discharge quality meeting ZDHC Wastewater Guidelines or stricter legal standards. Suppliers shall ensure to use water-efficient equipment, reclaim water via rainwater or greywater systems, or enable recycling through on-site and off-site treatment. Read more about our policies and commitments on page 120.

**Our targets and actions**
To ensure we achieve our ambition and contribute to the protection and preservation of water resources globally and locally, we have set targets related to absolute freshwater usage. These targets are grounded in scientific evidence using WWF's contextual target setting framework and involving site-level insights and basin risks. We review our targets quarterly and consult with WWF to improve water stewardship along our value chain.



**Targets for 2025**
- Reduce absolute usage of freshwater in wet processing units by 10 percent compared with 2022

**Targets for 2030**
- Reduce absolute usage of freshwater in wet processing units by 30 percent compared with 2022

These targets are voluntary and not required by legislation. For underlying assumptions and comment on our progress against these targets, see 'Our progress and results'.

**Reducing absolute freshwater usage**
We have set a target to reduce absolute freshwater usage in wet processing units by 30 percent by 2030, against a 2022 baseline. In addition, we have set a milestone target to reduce absolute freshwater usage in wet processing units by 10 percent by 2025, against a 2022 baseline. These targets have been validated by WWF. To ensure we reach the targets and fulfil our policy commitments, we plan to take action to improve water efficiency and increase the use of recycled water in our supply chain. These actions directly address risks related to water stress and water scarcity in priority regions, which are regularly reviewed in consultation with WWF.

*Action: Improving water efficiency*
To reach our ambition, we have taken action to reduce the water intensity of our products and improve water efficiency among our Tier 1 and 2 suppliers during 2025. This action includes piloting innovative technologies that reduce the need for water and investments in waterless dyeing technologies. In addition, we have supported our Tier 1 and 2 suppliers with wet processes in developing water roadmaps tailored to their operations. These roadmaps enable our suppliers to assess and implement context-specific improvement measures, aligned with local production conditions and regional water-related challenges. The aim of this action is to significantly reduce absolute usage of freshwater by 2030, compared with our 2022 baseline, and strengthen our efforts to improve water efficiency. Although we are actively implementing actions to improve water efficiency, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Increasing the use of recycled water*
In 2025 we have also taken action to increase the use of recycled water in our production processes by supporting our suppliers in adopting water recycling technologies. Alongside a consortium of partners, we have implemented a water recycling project at Fakir Knitwear Ltd. under the Sustainable Manufacturing and Environmental Pollution Programme (SMEP). This initiative will offer key insights into the business case for water recycling in high freshwater withdrawal regions such as Bangladesh, that will be used to ensure we meet our broader sustainability ambitions and targets related to water usage. The aim of this action is to increase the share of recycled water that is used in our production processes by 2030 against a 2022 baseline. Although we are actively implementing actions to increase the use of recycled water, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

**Our progress and results**
During 2025, we made significant progress toward our target of reducing freshwater usage. H&M Group's freshwater usage in our Tier 1 and 2 supplier facilities decreased by 22.8 percent compared with our baseline and by 11 percent compared with 2024.

This positive development was mainly driven by a decrease in total material weight for commercial products, improved water efficiency measures, and increased recycling and reuse of water throughout the year. The percentage of recycled water used in Tier 1 and 2 production units continues to increase and reached 20.3 percent compared with 18.4 percent last year.

**Freshwater usage in the supply chain**

| | 2025 | 2024 | Baseline (2022) | Targets (%) 2030 |
|---|---|---|---|---|
| Total water usage ($m^3$) in the supply chain | 41,238,915 | 46,476,830 | 48,006,918 | |
| Water recycled and reused ($m^3$) in the supply chain | 8,357,642 | 8,546,346 | 5,399,807 | |
| Percentage of absolute reduction in freshwater usage in Tier 1 and 2 wet processing units compared to 2022 (%) | 22.8 | 11 | Baseline | –30 |
| Percentage of recycled water used in Tier 1 and 2 wet processing units (%) | 20.3 | 18.4 | 11.3 | |

**Assumptions and accounting principles**
H&M Group's reporting of water use data is done in accordance with the requirements as set out in ESRS – see 'Basis for preparation of the sustainability statement' and 'Disclosures in relation to specific circumstances' on page 63 for more information.

**Water usage in the supply chain**
Covers Tier 1 and 2 wet processing units, excluding raw material cultivation. Freshwater usage is defined as volume of freshwater used for wet production over a course of the reporting period including utility systems. Freshwater sources include groundwater, surface water, municipal supply, seawater, and condensate from external steam source. Calculations are based on a combination of actual reported and third-party validated water performance data from production units, supplemented by estimates using product water intensity benchmark and facility-level water efficiency factors. Where facility-specific data is missing, conservative fallback assumptions are applied.

**Recycled and reused water**
Measures total recycled or reused water in Tier 1 and 2 units. The metric is calculated as the sum of all reported volumes of recycled and reused water. Calculations are based on quarterly reporting by production units and reviewed by third-party verifiers. No estimation is applied; only verified test results are included.

# Biodiversity and ecosystems

**Our ambition, steering and strategy**
Our ambition is to contribute to the protection of biodiversity and ecosystems, and to respecting planetary boundaries related to biosphere integrity and land-system change. To achieve this ambition, we focus our efforts on eliminating business practices that harm ecosystems by increasing the use and availability of certified, recycled and sustainably sourced materials. These efforts are aligned with our aim to build a value chain that operates in harmony with nature, which is informed by the Global Goals on Biodiversity set by the Convention on Biological Diversity under the Kunming-Montreal Global Biodiversity Framework. Although we have not adopted a transition plan to manage matters related to biodiversity and ecosystems, all our biodiversity-related actions are based on the Avoid, Reduce, Restore, Regenerate, Transform (ARRRT) framework to ensure we follow a structured and systematic approach. These actions are closely aligned with our efforts to reduce negative environmental impacts associated with our GHG emissions and resource use. Through our climate-related scenario analysis, Science Based Targets Network (SBTN) mapping and analysis through the WWF Risk Filter, we have identified risks to our business related to our dependence on land, water, biodiversity and ecosystem services to produce key input materials such as cotton. Our resilience analysis indicates that our dependence on raw materials, which in turn depends on ecosystem services and finite resources such as land and freshwater, could expose us to climate-related risks that affect the availability of those raw materials. This resilience analysis is based on an evaluation of our full value chain considering climate-related scenarios and our ability to mitigate operational risks. The results show that our ongoing efforts to increase the use of recycled and sustainably sourced materials will support business resilience in the short to medium term (within one to five years). To gain a better understanding of our business resilience, we plan to further develop our risk analysis for biodiversity and ecosystems in 2026, in line with the Task Force on Nature-related Financial Disclosures (TNFD) framework.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Land-use change, deforestation and biodiversity loss** | | |
| Conventional production methods of raw materials and input goods such as cotton, wool and wood can lead to soil erosion, deforestation, pollution, and overgrazing, all of which contribute to land-use changes and biodiversity loss. | To address this matter, we are shifting towards using sustainably sourced materials and sourcing materials through certifications or standards which do not allow material from converted land. | H&M Group's environmental policy and sustainability commitment |
| **Land degradation** | | |
| We depend on ecosystem services and the use of natural resources such as land and water to manufacture our products. Unsustainable use of finite and natural resources contributes to resource depletion and the degradation of land, affecting ecosystem health. | To address this matter, we are increasing the use of recycled materials and improving resource efficiency. In addition, we invest in the transition to farming practices and land-conservation initiatives that promote water retention, soil- and ecosystem health. | H&M Group's environmental policy and sustainability commitment |

**The identification and assessment of material matters**
We have undertaken an analysis to identify and assess our actual and potential impacts and dependencies on biodiversity and ecosystems. This analysis was guided by the Science Based Targets Network (SBTN) Initial Guidance and supported by the WWF Risk Filter tool, covering our own operations and our upstream value chain, and extending from Tier 1 to 4 suppliers. These methodologies enabled us to identify biodiversity-sensitive areas, assess ecosystem services, and evaluate key environmental pressures such as deforestation, land-use change, water stress, and habitat degradation. The outcome of the analysis showed that no biodiversity-sensitive areas were found within our own operations or sites under direct control. We continue to monitor locations under our direct control to detect any changes in ecosystem status.

The SBTN analysis also included an evaluation of physical and systemic risks associated with our business model and upstream value chain, and reliance on natural ecosystems. It incorporates indicators of physical risks such as pollution and land degradation, which highlight the vulnerability of sourcing regions to environmental disruption. Systemic risks are identified through aggregated environmental pressures across geographies, all of which may affect resource access, operational stability, and long-term business continuity. While downstream impacts have not yet been assessed, we are monitoring the development of applicable methodologies and intend to incorporate downstream considerations in future assessments.

Given that close collaboration with our suppliers is essential to gather data and evaluate risks in our upstream value chain, stakeholder engagement plays a central role in informing the analysis. We have consulted with NGOs, scientific experts, certification schemes, and industry peers to identify and assess biodiversity and ecosystem-related impacts. In parallel, our engagement in landscape-level initiatives – such as those led by WWF – ensures community perspectives are considered as part of the assessment. These initiatives include structured processes for engaging affected communities, particularly indigenous peoples and local knowledge holders, in the governance of shared ecosystems and natural resources.

In addition, the results from our climate-related scenario analysis highlighted risks related to our dependence on biodiversity and ecosystems – particularly in relation to activities in Tier 4 involving raw material extraction. The results show that our dependency on biodiversity and ecosystem services, could expose us to financial and operational risks[1] related to our resource use and inflows in the medium to long term (within five to fifteen years). Read more about our actions to manage risks related to our resource use on page 88.

**Policies related to biodiversity and ecosystems**
To manage matters related to biodiversity and ecosystems, we are guided by our environmental policy which commits us to contribute to reversing nature and biodiversity loss in line with the Kunming–Montreal Global Biodiversity Framework. Our environmental policy addresses land-use and conversion, biodiversity and ecosystems, as well as our dependence on critical and finite resources such as virgin materials. In addition, our sustainability commitment, which must be signed by all our business partners, requires the protection of biodiversity during raw material extraction, including deforestation-free supply chains and purchasing strategies aimed at reducing negative environmental and social impacts. Partners must prioritise raw materials verified by credible third parties, ensuring sustainable farming and forestry practices, animal welfare, ecosystem integrity, and respect for human rights. While we have not adopted dedicated policies on marine resources, sustainable oceans, or seas, H&M Group supports the protection of arctic ecosystems and local communities by signing the Arctic Corporate Shipping Pledge. Read more about our policies and commitments on page 120.

1. Although no biodiversity-related risks have been deemed material at the H&M group level, we have identified areas that are sensitive for biodiversity and threatened species in our value chain and risks related to resource depletion. Current policy does not address these areas.



**Our targets and actions**
During 2025, we evaluated the potential to set science based biodiversity-related targets, guided by the Science Based Targets Network (SBTN) framework. As a result, we intend to adopt biodiversity-related targets for land in 2026, covering our upstream value chain with a particular focus on reducing our land footprint, and mitigating the risk of land-use change, deforestation, and ecosystem degradation. While we have not yet set biodiversity-related targets for 2025, our existing materials targets – which aim to increase the share of recycled and sustainably sourced materials – are related to our actions to reduce pressure on ecosystems. Read more about these targets on page 89.

**Reducing negative impact from land-use change**
To achieve our ambition to reduce our impact on nature and contribute to the protection and restoration of biodiversity and ecosystems, we have taken action to mitigate the risk that the materials we source contribute to deforestation or other eco-system conversion. In addition, to ensure we fulfil our policy commitments, we plan to reduce the size of our agricultural land footprint and minimise the degradation of the land we continue to rely on together with building resilience in key sourcing landscapes through protection, restoration, and enhancing soil health. Our actions did not involve the use of biodiversity offsets.

*Action: Reducing the conversion of land and natural ecosystems*
In 2025, we have been working towards avoiding the conversion of natural ecosystems by increasing the availability and use of sustainably sourced materials. We have also focused on strengthening internal risk management procedures and improving traceability to gain clearer insights into raw material origins and associated risks. These efforts involve suppliers at Tier 4 and encompass planned initiatives until 2030 in support of our material targets.

As part of this action, we prioritise sourcing certified materials through frameworks that prohibit ecosystem conversion, such as the Forest Stewardship Council (FSC) and Responsible Wool Standard (RWS). The certifications ensure that the materials are sourced from suppliers who meet standards and criteria on land management and prevention of conversion. The expected outcome of this action is a reduction in land-use change and deforestation risks, supporting alignment with the Science Based Targets Network (SBTN) Land Target 1. We have allocated resources towards this action in the form of investments to increase the use of sustainably sourced materials. Read more about these investments and allocated resources towards this action on page 81.

*Action: Reducing our land footprint*
In 2025, we have taken action to reduce our land footprint for cotton, wool and leather, by increasing the use of recycled materials and investing in agricultural practices that improve soil health, enhance water retention and protect biodiversity. These efforts aim to minimise the land required for production while maintaining and enhancing ecosystem functionality. To support this, we source materials certified by ROC as well as fibres from projects run together with Better Cotton Initiative, IDH and Materra. These help reduce pressure on land and contribute to healthier production landscapes, supporting our Tier 4 suppliers.

In parallel, we are increasing the share of recycled materials in our products and packaging. By reducing reliance on virgin materials, we lower the demand for land-intensive production methods. This action includes planned initiatives until 2030 to support our material targets. The expected outcome of this action is a measurable reduction in the land needed to produce our products, thereby contributing to improved land-use efficiency and supporting alignment with SBTN Land Target 2. We have allocated resources towards this action in the form of investments to increase the availability of recycled materials and through efforts to expand sourcing from suppliers that apply improved soil and rangeland management practices. Read more about these investments and allocated resources towards this action on page 89.

**Conserving natural ecosystems**
Through our partnership with WWF, we have gained valuable insights into priority conservation landscape projects in our sourcing markets. To reduce negative environmental impacts and improve our business resilience we focus our actions on landscape projects in India, where we source most of our cotton, and South Africa, where we source most of our wool. These actions are aligned with the prioritisation set forth in our SBTN impact assessment outcome.

*Action: Restoring landscape in India*
To support our objective of contributing to reversing nature loss and contributing to the Global Goals on Biodiversity, we are implementing landscape-level projects in India, one submitted to SBTN as a Land Target 3 project. These initiatives include farming practices that improve soil health, conserve water, enhance biodiversity, and strengthen climate resilience, restoration of degraded land, protection of ecologically valuable areas, and enhancement of wildlife habitats. Designed to deliver environmental and social benefits, they also strengthen ecosystem resilience and improve local livelihoods. We acknowledge the project's limited geographical scope, yet view it as a valuable step towards our long-term biodiversity ambitions. Notable examples include the Satpura-Pench landscape project in collaboration with WWF. This serves as a model for integrated approaches combining conservation, community development, and production. The current phase runs from 2020 to 2025, with a new phase planned for 2026–2030. Outcomes are reported per project, focusing on biodiversity, restoration and livelihoods. In 2025, we allocated a total of SEK 1.8 m OpEx on the India cotton project. Read more about our investments and resources for actions on page 81 or in note 1 Accounting principles to the financial statements on page 151.

*Action: Restoring landscape in South Africa*
To support our objective of reversing nature loss and contributing to the Global Goals on Biodiversity, we are implementing landscape-level projects in South Africa, one submitted to SBTN as a Land Target 3 project. These initiatives focus on restoring nature, protecting biodiversity, and building resilience through comprehensive grazing management plans. Activities include well-planned grazing management, restoration of degraded ecosystems, protection of ecologically valuable areas, and support for wildlife habitats. These efforts also enhance community resilience and livelihoods. While designed to deliver environmental and social benefits, we acknowledge limitations in impact attribution. A key example is the Regenerative Wool Production Project in the Eastern Cape Drakensberg Grasslands, developed in collaboration with WWF. This project integrates conservation, production, and community development in a high-value biodiversity landscape. The current phase runs from 2020 to 2025, with a new phase planned for 2026–2030. In 2025, we allocated a total of SEK 1.3 m OpEx on the South Africa wool project. Read more about our investments and resources for actions on page 81 or in note 1 Accounting principles to the financial statements on page 151.

**Our progress and results**
During 2025, we made progress toward reducing our impact on nature and supporting biodiversity protection and restoration. We successfully finalised the first phase of our two landscape-level projects in India and South Africa. Both initiatives delivered environmental and social benefits by strengthening ecosystem resilience and improving local livelihoods. The next phase of these projects will begin in 2026 as part of our renewed partnership with WWF.

Throughout the year, we continued our efforts to avoid and reduce land-use changes and the conversion of natural ecosystems by increasing the use of sustainably sourced materials. Strengthened traceability has supported this progress, and work remained on track to have system support for prioritised commodities made available at the beginning of 2026. In parallel, we increased the use of recycled materials to help minimise the land required for production. For more details on sustainably sourced and recycled material shares, see 'Resource use and circular economy' on page 88.

Our commitment to increasing the share of recycled and sustainably sourced materials, improving raw-material traceability, and continued collaboration with WWF will remain central to achieving our biodiversity ambitions.

# Resource use and circular economy

**Our ambition, steering and strategy**
Our ambition is to decouple our growth from resource use and extraction by reducing our dependence on critical and finite resources. We also strive to support the circulation of products and materials to their highest value, improve resource efficiency, and increase the proportion of products and packaging that are reused and recycled. To achieve this ambition, we focus our efforts on shifting towards using recycled or sustainably sourced materials for our products and packaging, improving product durability and recyclability, and scaling services that extend product life such as resale. These efforts are directly linked to our business strategy and key activities within our value chain – from product design and material sourcing to customer use and waste management. By supporting the development of a circular economy for fashion, we aim not only to mitigate risks and negative environmental impacts related to resource use, but also to capture opportunities for innovation and strengthen business resilience. Our efforts within this area are closely aligned with our strategic priorities, with a focus on generating growth through new business models, shifting towards increasing the use of recycled or sustainably sourced materials, and enhancing customer relevance and convenience.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Materials and resource use (resource inflows)** | | |
| The manufacturing of products and packaging are dependent on natural resources and materials such as cotton, polyester, man-made cellulosic fibres (MMCF), wool, leather, paper and plastics. The production and processing of these materials accelerate the depletion of finite natural resources. | To address this matter, we monitor materials environmental impact and material alternatives in support of our transition where we focus on scaling the use and availability of recycled and sustainably sourced materials within our value chain. | H&M Group's environmental policy and sustainability commitment |
| **Generation of waste (resource outflows)** | | |
| The generation of waste along the value chain, from raw material extraction to product and packaging disposal, poses significant environmental challenges. Waste that is not properly managed and disposed in a proper way causes harm to the environment and contributes to increased loss of raw materials. | To address this matter, we focus on directing waste from our own operations and value chain towards reuse and recycling, reducing waste, scaling solutions and services that help keep products and materials in circulation at their highest possible value, minimising landfill and disposal through improved strategies and proper handling aligned with the EU Waste Hierarchy. | H&M Group's environmental policy and sustainability commitment |
| **Product design and services (resource outflows)** | | |
| Lack of design approaches aligned with circular economy principles such as durability, repairability and recyclability, and limited access to services and business models to repair, reuse and recycle products and materials, leads to early disposal of our products. | To address this matter, we aim to strengthen design for durability, repairability and recyclability, and expand services that are designed to extend product use and keep products in circulation at their highest value. | H&M Group's environmental policy and sustainability commitment |
| **Risk of reduced availability of raw materials** | | |
| There is a risk of limited availability of raw materials due to environmental and geopolitical factors, including resource depletion, shifting trade dynamics and stricter regulatory standards. These issues can strain supply chains, potentially raising procurement and production costs. | To reduce this risk, we invest in new ventures and initiatives that support the use and availability of recycled or sustainably sourced materials, and new solutions. In addition, we fund projects that promote specific agricultural practices focusing on resource regeneration in wool and cotton production. | H&M Group's environmental policy and sustainability commitment |
| **Risk of increased costs to manage waste** | | |
| There is a risk of the implementation of stricter regulations to manage products and packaging waste. Non-compliance with these regulations could result in financial penalties, per-product fees, legal consequences and increased costs. | To reduce this risk, we invest in innovative solutions and new technologies to improve waste handling, stay updated on evolving legislation, and manage processes to ensure compliance and operational efficiency. | H&M Group's environmental policy and sustainability commitment |
| **Opportunity to create new revenue streams from resale** | | |
| We have an opportunity to scale new business models and extend the lifecycle of products through the resale and reuse of garments, potentially leading to new revenue streams and increased sales, while improving brand reputation and consumer trust. | To realise this opportunity, we test and scale new and innovative solutions within our brands. We also invest in services and solutions that benefit the entire textile and fashion industry by helping to keep products and materials in circulation at their highest value. | H&M Group's environmental policy and sustainability commitment |
| **Opportunity to improve business resilience** | | |
| We have an opportunity to reduce the dependence on virgin and conventional materials by scaling solutions for recycled and sustainably sourced materials. This could lead to reduced costs for sourcing input materials and improving business resilience. | To realise this opportunity, we focus on shifting towards using recycled or sustainably sourced materials for our products and packaging. In addition, we invest in ventures and technologies that increase the availability of recycled or sustainably sourced materials. | H&M Group's environmental policy and sustainability commitment |



**The identification and assessment of material matters**
As part of our double materiality analysis and environmental due diligence process, we have conducted a systematic screening of our assets and business activities to identify actual and potential impacts, risks and opportunities related to resource use and a circular economy. This process covers all our value chain activities – from raw material extraction to product end-of-life. Our screening assesses both resource inflows (materials used in products and packaging) and resource outflows (products, services and waste). We apply a risk-based methodology to screen activities and assets using a combination of internal and external expertise, datasets, and sector guidance. The purpose of our screening is to identify activities in the value chain that has high impact on resource use, circular economy and the environment.

To identify impacts, risks and opportunities related to our upstream activities, we use the WWF Risk Filters to identify environmental pressures at our sourcing sites. In addition, the Science Based Targets Network (SBTN) framework helps inform our understanding of biodiversity and ecosystem impacts in our upstream value chain. We supplement this with Maplecroft Country Risk indices to assess environmental governance, climate vulnerability, and human rights risks in our key sourcing regions and production markets. Materials identified as high-volume or high-risk are subject to more detailed analysis. This helps us prioritise actions to manage material matters for resource use aligned with circular economy principles.

To identify impacts, risks and opportunities related to our downstream activities, we assess the environmental effects associated with our products, services and waste. Tools and data from the Ellen MacArthur Foundation, UN statistics on waste, European Environment Agency, and the Eurostat database guide our evaluation of products, services and waste.

To understand the impacts, risks, and opportunities of our operations, we analyse environmental and circular economy-related effects. In our own operations that include our distribution centres, offices, and retail stores, we generate relatively low absolute volumes of waste, but targeted waste streams are prioritised based on impact and their potential to contribute to a circular economy. This encompasses packaging waste and product waste, including textile waste.

In addition to technical assessments, we engage a broad range of stakeholders, including affected communities in high-risk regions via proxies. Engagements are conducted through local consultations, interviews, and multi-stakeholder interactions, enabling us to understand how resource extraction, land use, or waste disposal may impact community livelihoods, access to resources, and environmental conditions. We also collaborate with expert organisations including the Ellen MacArthur Foundation, Circle Economy, and Textile Exchange to inform our identification and assessment of resource-related impacts, risks and opportunities.

**Policies related to resource use and circular economy**
To manage matters related to our resource use, we are guided by our environmental policy, which states that we are committed to decouple our growth from the use of critical and finite resources and circulating products and materials at their highest value. This includes a commitment to transitioning away from using virgin materials and increasing the use of recycled or sustainably sourced materials. The policy addresses matters related to resource inflows and outflows. In addition, our sustainability commitment, which must be signed by all our business partners, includes requirements to manage resources and waste responsibly. We also align with the EU Waste Framework Directive and Waste Hierarchy as well as with the Ellen MacArthur Foundation's principles of eliminating waste and pollution, circulating products and materials at their highest value, and regenerating nature. Read more about our policies and commitments on page 120.

**Our targets and actions**
To ensure we achieve our ambition of decoupling growth from resource use, we have set targets related to our actions to increase the use of recycled and sustainably sourced materials. We regularly review our material-related targets based on environmental and scientific evidence and consult with external experts such as Textile Exchange to ensure alignment with their industry ambition, standards, certifications, impact frameworks, and calculation methodologies. We also consult with internal experts to ensure alignment with our climate transition plan and support our long-term business objectives.

**Targets for 2025**
- Increase use of recycled materials in commercial products to 30 percent

**Targets for 2030**
- Increase the use of recycled or sustainably sourced materials in commercial products to 100 percent
- Increase the use of recycled or sustainably sourced materials in packaging to 100 percent

These targets are voluntary and not required by legislation. For underlying assumptions and comment on our progress against these targets, see page 90. These targets relate to our resource use and inflows. They do not specifically cover increased circular product design, material use rate, minimisation of primary raw materials or waste management. We have not set targets related to resource outflows and waste.

**Resource use and inflows**
We have set a target to use 100 percent recycled or sustainably sourced materials in our products by 2030, with an aim to achieve 50 percent recycled materials. In addition, we have set a milestone target to use at least 30 percent recycled materials in our products by 2025. These targets have been developed based on input from the Textile Exchange Fiber & Material Matrix and their goal to guide the industry towards reducing greenhouse gas emissions from fibre and raw material production, and their industry challenges on for example recycled polyester. We have also consulted other stakeholders such as EMF, Canopy and WWF. To ensure we reach these targets and fulfil our policy commitments, we plan to make shifts in our material basket and have set supporting targets for our key input materials including cotton, polyester, wool, man-made cellulosic fibre (MMCF) and wood.

*Action: Increase the use and availability of recycled materials*
During 2025, we have taken action to increase the use of recycled materials in our products and packaging. To address the limited access to recycled alternatives, we continued to support our investment in Syre for textile-to-textile recycled polyester and signed a multi-year agreement to source CIRCULOSE® as a replacement for virgin viscose. We collaborated with RE&UP, Recover, and Loopamid to scale pre- and post-consumer recycled feedstock, particularly for cotton and polyester, and launched our first collection from the UNIDO SWITCH2CE pilot in Bangladesh. We continue to incorporate Global Recycling standard (GRS), Recycling Claim standard (RCS), and Forest Stewardship Council (FSC) certified recycled materials into our material roadmaps and phased out virgin polyester and down. These actions support our 2030 target of achieving 100 percent recycled or sustainably sourced materials and contribute to our GHG emission reduction targets. In 2025, we allocated a total of SEK 801 m OpEx on initiatives with the aim to increase the use and availability of recycled materials.

*Action: Increase the use and availability of sustainably sourced materials*
During 2025, we took action to increase the use of sustainably sourced materials in our products and packaging. This includes ensuring that all virgin wood-based materials sourced come from FSC certified forests, all virgin animal fibres sourced are certified to standards such as RWS (Responsible Wool Standard), RMS (Responsible Mohair Standard) or GCS (Good Cashmere Standard), and we are continuing to use organic fibres certified to GOTS (Global Organic Textile Standard) or OCS (Organic Content Standard). We also invested in virgin fibre innovations – such as Magtech hydroponic cotton – through our Circular Innovation Lab.

In addition, we have supported agricultural practices in cotton and wool production that aim to improve soil health, conserve water, enhance biodiversity, strengthen climate resilience, and improve cotton and wool producers' livelihoods. Read more about these landscape projects on page 87. In 2025 we invested in two new projects to scale these practices together with the Better Cotton Initiative, The sustainable trade initiative (IDH) and Regenerative Production Landscape Collective (RPLC) aimed at reaching 35,000 farmers. This action spans across activities from raw material extraction to textile production. In 2025, we allocated a total of SEK 443.5 m OpEx on initiatives with the aim to increase the use and availability of sustainably sourced materials.

### Resource outflows and waste

For 2025, we have not set any time-bound or action-oriented targets related to resource outflows and waste. To achieve our policy commitment, we plan to scale services and solutions that align with circular economy principles by designing durable, recyclable products, offering services such as resale and garment collection, and implementing waste management strategies. These actions help extend product life, reduce waste, and increase reuse and recycling in line with the EU Waste Hierarchy.

*Action: Increasing durability and recyclability of products*

In 2025, we took action to support the improvement of product durability, recyclability, and resource efficiency across our operations and upstream value chain. Durability, repairability and recyclability are neither legally defined nor standardised, and there is a lack of aligned definitions and measurability in the apparel industry. Despite this we actively test and evaluate products towards our quality standards and requirements. Durability was advanced through regular testing aligned with our internal quality standards and requirements, with digitalisation underway to enhance traceability and improve durability of our products.

For recyclability, we updated internal definitions, built reporting tools, and assessed recyclable content to identify improvement areas. Repairability is supported through spare components and care accessories. These efforts are backed by investments in planning precision and AI-driven decision-making.

We also collaborate with brands in the Circular Design Consortium to explore and promote design approaches aligned with circular economy principles, share insights, and tackle shared challenges. We also provide input to the development of mandatory ecodesign criteria for textile apparel under the EU Ecodesign for Sustainable Products Regulation. The expected outcome of this action is reduced environmental impact, optimised resource use and improved circularity through longer-lasting, more recyclable products. Although we are actively implementing actions to increase the durability and recyclability of products, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Scaling services and business models that align with circular economy principles*

In 2025, we advanced services and business models that extend product use and enable products to circulate at their highest value. An important focus for us is resale. In 2025 resale expanded across Sellpy and our brands H&M, Weekday, ARKET and COS and we aim to increase its share of overall turnover. Key actions for Sellpy included opening a new unit in Romania, scaling warehouse capacity in Sweden, and launching services in the Czech Republic and Poland. In addition to this, we also contribute to the Ellen MacArthur Foundation's Re-model Initiative to address barriers to scaling services that extend the use of products, such as resale. Our in-store garment collect program expanded to new selling markets. We have also strengthened governance with our partners, and together with our main partner Looper Textile, we work to improve operational efficiency and visibility.

The expected outcome of this action is reduced environmental impact and optimised resource use through extended use of products. In 2025, we allocated a total of SEK 1,118.6 m OpEx and SEK 47.4 m CapEx on initiatives with the aim to scale our resale offerings.

*Action: Increasing the share of waste directed to reuse and recycling*

In 2025, we advanced our waste strategies to reduce negative environmental impacts and ensure alignment with the EU waste hierarchy and circular economy principles. This includes increasing the share of waste directed to reuse and recycling, while reducing the amount directed to disposal – particularly landfill. We also implemented updated waste management strategies across our own operations, covering product waste from our stores and distribution centres (e.g., garments, textiles, accessories, beauty and chemical products), packaging, and other operational waste, as well as textile waste in the supply chain. To enhance operational efficiency, we introduced a robust reporting system to monitor performance across internal functions and external partners. Additionally, we continued collaborating with partners such as Looper Textiles and participated in multi-stakeholder initiatives, including the Global Circular Fashion Forum and UNIDO SWITCH2CE.

These efforts are expected to continue to 2030, aimed at further increasing reuse and recycling. While we are actively implementing measures to raise the share of waste directed to reuse and recycling, we do not disclose specific financial resources allocated to these actions, as such costs and investments are integrated into our standard business operations and cannot be separately identified.

### Industry agreements and collaborations

To help address systemic challenges related to resource use and the transition to a circular economy, we actively engage in industry partnerships and multi-stakeholder initiatives.

We are a long-standing partner to the Ellen MacArthur Foundation (EMF) and a core partner in its fashion initiative, where we work to contribute to the development of a circular economy for fashion. Through the Fashion ReModel project, we collaborate with peer brands to scale services that extend product use and decouple revenue from resource extraction. In addition, we support EMF's Global Commitment, uniting businesses, governments and NGOs in a joint effort to create a circular economy for plastics. As a founding member of Canopy Style and member of Pack4Good, we work to transform the man-made cellulosic fibre (MMCF) and packaging supply chains to eliminate sourcing from ancient and endangered forests and scale next-generation alternative fibres.

We have been a member of Textile Exchange since 2004, contributing to industry-wide efforts that transform how we produce, choose and reuse materials to benefit people and places at the source. We are also one of the founding members of the Better Cotton Initiative (BCI) and the Organic Cotton Accelerator (OCA), which are committed to create a transparent, responsible and resilient organic cotton supply chain. BCI support cotton farming practices that reduce negative environmental impacts while improving the livelihood of farmers. To advance textile recycling, we participate in the Global Circular Fashion Forum (GCFF) – an initiative by Global Fashion Agenda to scale post-industrial textile waste recycling in key manufacturing regions. We also contribute to the UNIDO SWITCH2CE programme, a pilot project in Bangladesh focused on sorting and recycling blended textile waste, building supplier capacity and supporting practices that contribute to a circular economy.

Further, we are an active member of the Circular Design Consortium, working with industry peers to align on definitions and certification of design approaches informed by circular economy principles. We also collaborate with circular.fashion and contribute to policy consultations, including the development of ESPR (Ecodesign for Sustainable Products Regulation) criteria. These collaborations reflect our belief that scaling circularity requires shared action, standard-setting, and innovation across the value chain.

### Our progress and results

During 2025, 91 percent of the materials used in our commercial products were recycled or sustainably sourced, and 32 percent were recycled, in line with our targets. This increase was mainly driven by meeting our supporting targets for key materials, including polyester, wool, man-made cellulosic fibres and wood. The increase for recycled material was driven by an increase in the share of recycled polyester, now reaching 100 percent.

We made progress toward our target to increase recycled or sustainably sourced materials for packaging, reaching 86 percent during 2025. This progress reflects an increased share of sustainably sourced virgin paper and cardboard, in line with our target to not source conventional virgin paper and cardboard after the end of year 2025. Recycled packaging materials reached 51 percent, reflecting a gradual reduction in plastic and cardboard packaging where the share of recycled content is high.

The decrease in total material weight for commercial products is linked to changes in our assortment mix and customer offering, along with greater precision in planning supply and demand. Total weight of packaging material also decreased compared to last year, mainly due to streamlining of retail and transport packaging.

We continued to increase the share of total turnover generated from resale. Resale was offered in 26 markets through Sellpy, H&M, ARKET, COS and Weekday (including Monki), and 0.8 percent of our turnover in 2025 came from resale. This share has increased 31 percent since 2024, and we aim to further increase both access to and sales from resale across H&M Group.



Through our in-store Garment Collect programme, we collected 17,808 tonnes of garments, directing 60 percent to reuse, 29 percent to recycling and 11 percent directed to disposal, prioritising energy recovery. Fewer garments were sent to reuse compared with 2024 due to a lower share of reusable items collected leading to an increased share directed to recycling. We offered Garment Collect in 54 selling markets, representing 67 percent of all our selling markets.

In our own operations, 91 percent of waste was directed to reuse and recycling, 7 percent was directed to disposal, and 2 percent directed to landfill. The 2 percent sent to landfill consists mainly of mixed waste that remains challenging to separate and recycle, such as food packaging, mixed foils and desiccants, in markets lacking other disposal methods.

**Biological and technical materials**

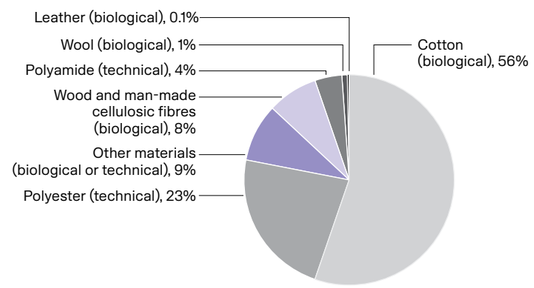
| | 2025 | 2024 |
|---|---|---|
| Total weight of materials in commercial products and packaging (biological and technical materials) (tonnes) | 595,179 | 652,012 |
| Percentage of commercial material (%) | 85 | 86 |
| Percentage of packaging material (%) | 15 | 14 |
| Share of biological materials (%) | 70 | 71 |
| Share of biological materials that is sustainably sourced (%) | 78 | 79 |
| Total weight of recycled materials (tonnes) | 209,070 | 215,828 |
| Share of recycled materials (%) | 35 | 33 |

**Commercial materials and products**

| | 2025 | 2024 |
|---|---|---|
| Total weight of material in commercial products, (tonnes)[1] | 506,015 | 559,974 |
| Total weight of commercial products, (tonnes)[2] | 364,093 | 403,067 |

1. Material weight = including waste generated during production, excluding lining, trims and filling on garments.
2. Product weight = excluding waste generated during production, including lining, trims and filling on garments.

**Share of materials used in commercial products**




**Recycled or sustainably sourced materials in commercial products**

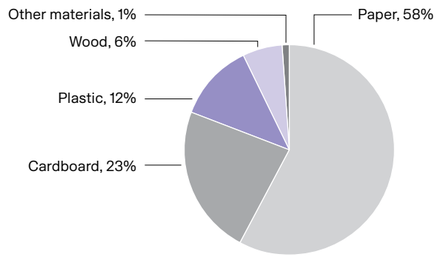
| | Retrospective | | Targets | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2030 |
| Recycled or sustainably sourced materials (%) | 91 | 90 | | 100 |
| Recycled materials (%) | 32 | 30 | 30 | |
| **Material specific recycled or sustainably sourced breakdown (commercial products)** | | | | |
| Cotton that is recycled, organic, or other sustainably sourced (%) | 100 | 100 | Maintain 100 | |
| Cotton that is recycled (%) | 12 | 12 | | |
| Cotton that is organic (%) | 10 | 11 | | |
| Other sustainably sourced cotton (%) | 78 | 76 | | |
| Recycled polyester (%) | 100 | 96 | 100 | |
| Mohair that is certified to the Responsible Mohair Standard (RMS) or coming from recycled sources (%) | 100 | 100 | Maintain 100 | |
| Virgin wool that is certified to the Responsible Wool Standard (RWS) (%) | 100 | 89 | 100 | |
| Virgin cashmere that is certified to the Good Cashmere Standard (GCS) (%) | 100 | 100 | 100 | |
| Down sourced that is recycled (%)[1] | 100 | 100 | 100 from Dec 2025 | |
| Virgin MMCF that is certified to the FSC or PEFC standards (%) | 100 | 93 | 100 | |
| Virgin wood-based material that is certified to FSC (%) | 100 | 93 | 100 | |

1. 2025 results represent purchases made throughout the year while the 100 percent target is valid for products sourced from the end of 2025.

**Packaging materials**

| | 2025 | 2024 |
|---|---|---|
| Total weight of packaging material (in tonnes) | 89,165 | 92,038 |

**Share of materials used in packaging**




**Recycled or sustainably sourced packaging materials**

| | Retrospective | | Targets (%) | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2030 |
| Recycled or sustainably sourced material (%) | 86 | 84 | | 100 |
| Recycled material (%) | 51 | 51 | | |
| **Material specifically recycled or sustainably sourced breakdown (packaging)** | | | | |
| Recycled paper and cardboard (%) | 52 | 51 | | |
| Recycled plastic (%) | 74 | 76 | | |
| Virgin paper and cardboard packaging sourced from FSC certified sources (%)[1] | 88 | 83 | 100 from Dec 2025 | |

1. The target applies from 1 December 2025 onward. The reported figure for 2025 represents the full year and therefore includes sourcing prior to 1 December 2025.

**Resale**

| | 2025 | 2024 |
|---|---|---|
| Percentage of H&M Group turnover coming from resale (%) | 0.8 | 0.6 |
| Total turnover from resale (SEK m) | 1,844 | 1,449 |
| Percentage of selling market offering resale (%) | 32 | 33 |
| Number of selling markets where we offer resale | 26 | 26 |

**Waste generated in own operations**

| | 2025 |
|---|---|
| Total waste generated in own operations (tonnes) | 54,766 |
| Product waste (%)[1] | 5 |
| Packaging waste (%)[2] | 85 |
| Other operational waste (%)[2] | 10 |

1. Product waste includes products discarded in our own operations in stores or in distribution centres. The majority of these are damaged products returned in-store or online, or products damaged during transport or with a production fault. Product waste primarily consists of textiles and plastics for apparel and biomass, metal and non-metallic minerals for hardgoods.
2. Packaging and other operational waste include all packaging waste & other operational waste generated at our distribution centres. This includes transport packaging, online return packaging, product packaging and pallets and packaging and other operational waste. Packaging and operational waste primarily consists of paper and cardboard, plastics, and cleaning products.

**Hazardous and non-hazardous waste**

| | Hazardous | | Non-hazardous | |
|---|---|---|---|---|
| 2025 | Tonnes | % | Tonnes | % |
| **Waste diverted from disposal** | 64 | 52 | 49,871 | 91.3 |
| to preparation for reuse | 0 | 0 | 2,594 | 4.7 |
| to recycling | 56 | 46.2 | 47,240 | 86.4 |
| to other recovery operations | 7 | 5.9 | 37 | 0.1 |
| **Waste directed to disposal[1]** | 59 | 48 | 4,773 | 8.7 |
| by incineration with energy or recovery | 29 | 24 | 2,681 | 4.9 |
| by incineration | 24 | 19.4 | 582 | 1.1 |
| by landfill | 1 | 0 | 1,296 | 2.4 |
| by other disposal operations | 5 | 3.7 | 214 | 0.4 |
| **Total** | 122 | 0.2 | 54,644 | 99.8 |

1. Waste is only directed to disposal when considered hazardous waste, if contaminated, or if there is no viable recycling or downcycling solution.

In our own operations, 91 percent of waste was directed to reuse and recycling, while 7 percent was sent for disposal and 2 percent to landfill. Non-recycled waste amounted to 7,470 tonnes, representing 14 percent of total operational waste.



**Assumptions and accounting principles**
H&M Group's reporting of resource use and circular economy data is done in accordance with the requirements as set out in ESRS – see 'Basis for preparation of the sustainability statement' and 'Disclosures in relation to specific circumstances' on page 63 for more information.

**Biological and technical materials**
Combined weight of biological and technical materials used in commercial products and packaging. Technical materials are materials that are engineered, processed, or mined, and are often non-renewable. Examples include plastics and synthetic fibres. Biological materials are typically renewable. Examples include natural fibres, wood and animal fibres. Definitions are guided by EMF and aligned with ESRS. Calculations are based on actual material weights for the main shell fabric excluding linings, trims and fillings in products, and full packaging weight data for packaging.

**Commercial materials and products**
Total weight of shell materials in commercial products, excluding linings, trims and fillings. Our internal material categorisation of recycled and sustainably sourced materials is guided by sustainability criteria, industry frameworks such as Textile Exchange, and aligned with ESRS. Most materials are verified through voluntary standards and certifications such as GRS, RCS, OCS, GOTS, RWS etc. In cases where no certifications are available, we have processes in place to assess and verify from a risk and impact perspective. Calculations are based on actual shipment weights for the main shell material, excluding non-shell components such as linings and trims. No estimation is applied for product weight data.

**Packaging**
Total packaging weight purchased, including product packaging, transport packaging, hangers, and in-store and e-commerce packaging. The packaging for external brands' product offerings, Sellpy, Singular Society, Creator Studio, and franchise operations are deemed not material due to the limited volume and are therefore excluded from this year's reporting. Our internal material categorisation of recycled and sustainably sourced materials is aligned with EU packaging regulations and verified through voluntary standards and certifications, such as FSC, GRS, and RCS. Calculations are based on actual purchase records and verified documentation, supplemented by estimates – based on historical data, procurement records, or reasonable assumptions documented by the responsible function – where necessary.

**Resale**
Sale of second-hand items through Sellpy and sales via the H&M brand and Weekday. The definition of resale is aligned with the EU Taxonomy and items with an original hangtag or in new condition are excluded. Resale turnover share is calculated as resale turnover divided by net sales as reported in the consolidated financial statements. Market coverage includes Sellpy and all brands in the H&M group, calculation is based on the number of markets where resale is offered compared with total selling markets.

**Garment collection**
Garments collected through H&M Group's in-store Garment Collect programme in selected brands and markets. Garments collected through COS and franchise operations are excluded. Total weight of garments collected is calculated based on actual weight of goods from H&M Group's Garment Collect programme. The end activity share is calculated based on average distribution of each sorting facility and assumes that goods sorted on behalf of H&M Group are redirected to the same extent and to the same end activity as all other goods processed in the facility. Due to challenges in extracting data from the local partner, Iceland is not included in the 2025 reporting. Iceland represents a very small share of total volumes, and its exclusion does not materially affect the reported results.

**Waste**
Own operations waste includes product waste, packaging waste, and other operational waste from distribution centres and stores. Non-product waste generated in stores and offices is excluded, as most of this waste is managed collectively through landlords and is therefore not possible to track. Hazardous waste includes product and operational waste streams classified as hazardous.

End activities are aligned with the EU Waste Framework Directive and Waste Hierarchy. Calculations for product waste are based on internal write-off data validated against waste partner reports, while packaging and operational waste volumes are based on actual measurements reported by distribution centres. End activities estimates for product waste are applied for the final quarter using average shares from earlier quarters. Where end activities details are missing, a conservative assumption of incineration without energy recovery is applied. For hazardous waste, all volume is assumed to be directed to incineration without energy recovery.

**Financial resources allocated**
Read more about our investments and allocated resources toward actions on page 81 or note 1 Accounting principles to the financial statements on page 151.

**Improving data quality and calculation changes**
We continually work to improve our data availability and quality to measure our resource use as accurately as possible. See details of specific changes and their impact on our previously reported figures below:

- We have changed the observation period for commercial materials to align with the financial year. This change has led to an increase of total weight of material in commercial products with 7 percent or 35,235 tonnes and an increase of total weight of commercial products with 5 percent or 18,325 tonnes for 2024 as compared to what was reported in our 2024 annual and sustainability report. It has also led to minor changes in the share of recycled or sustainably sourced materials for commercial products.
- We have excluded textile labels from the scope of the total packaging volume due to the current complexity of ensuring data integrity for textile labels. This change has led to a decrease of total weight of packaging material with 2 percent or 2,227 tonnes for 2024 as compared to what was reported in our 2024 annual and sustainability report. It has also led to minor changes in the share of recycled materials for packaging.

# Reporting in line with article 8 of the EU Taxonomy Regulation

H&M Group has performed an inventory of its economic activities according to Article 8 of the EU Taxonomy Regulation and has applied the updates introduced by Commission Delegated Regulation (EU) 2026/73. H&M Group's activities to mitigate climate change and towards a circular economy have been analysed for eligibility and alignment based on turnover, Capital expenditures (CapEx) and Operating expenses (OpEx).

**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 138.

**CapEx**

Total CapEx corresponds to additions to balance sheet items intangible assets and tangible assets including property, plant and equipment, before depreciation, amortisation or impairment, and excluding any translation effects but including the effect of business combinations and excluding potential goodwill, as specified in note 14 and 15 to the consolidated balance sheet. These costs are complemented by additions/changes in IFRS16 leases 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 sheet on page 140.

**OpEx**

Total OpEx includes direct non-capitalised cost related to repair and maintenance, short-term leases and R&D expenses. The OpEx in terms of the EU-taxonomy is a subset of the information reported in the income statement. For further information about OpEx, please see the H&M group income statement on page 138.

**Calculation of eligible turnover, CapEx and OpEx**

CapEx and OpEx, according to the definitions outlined above and tied to eligible activities (see below), form the basis for calculating the share of eligible turnover, CapEx, and OpEx. To ensure accuracy and avoid double counting, a reconciliation of amounts has been performed.

**Assessment of eligibility**

While we acknowledge the 10 percent threshold introduced by Commission Delegated Regulation (EU) 2026/73, H&M Group will report eligible economic activities based on the internally set threshold for 2025 if the activities are considered material to H&M Group's business. Our internal threshold is set to SEK 50 m, which is significantly lower than the threshold introduced by Commission Delegated Regulation (EU) 2026/73. Based on the analysis carried out, H&M Group considers the following economic activities to be eligible according to EU Taxonomy Regulation in 2025:

**Circular Economy (CE) 5.4 Sale of second-hand goods.**

Sellpy is a digital platform for the sale of second-hand fashion goods and other products and therefore falls under economic activity 5.4. 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 and included in H&M Group's taxonomy report. Turnover data is sourced from sales transactions from Sellpy legal entities. OpEx data is sourced from invoices booked in the Sellpy legal entities (i.e. invoices for rent, transportation, marketing) as well as salaries and social costs booked for employees in the Sellpy legal entities.

**Climate Change Mitigation (CCM) 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 financial support, rather than of an investment nature. H&M Group has, however, continued to invest in changing all store lights to energy-efficient LED sources in all 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 the taxonomy reporting. Since 2020, H&M Group has undertaken a significant initiative to transition to LED lighting in all our stores. Given the extensive adoption in the previous years, the investment for LED lighting in 2025 has fallen below the internally set threshold of SEK 50 m. For this reason, it is not reported as aligned, but rather as eligible together with investments in the replacement of heating, ventilation and air conditioning systems (HVAC) in existing stores. These renovation measures fall together with LED lighting under activity 7.3. CapEx data is sourced from internal actual cost records, which are manually filtered to identify LED and HVAC-related expenditures.

**Climate Change Mitigation (CCM) 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings**

H&M Group is investing in the maintenance and repair of building energy management systems (BEMS) and lighting control systems and energy management systems (EMS) in existing stores. Such investments fall under the EU Taxonomy economic activity 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings under climate change mitigation delegated act and is therefore included in our taxonomy reporting. CapEx data is sourced from internal actual cost records, which are manually filtered to identify expenditures related to energy management of stores.

**Climate Change Mitigation (CCM) 7.7 Acquisition and ownership of buildings**

H&M Group has an extensive amount of right of use of assets, as all store locations are leased. All H&M Group's new or renegotiated rights of use assets fall under the EU Taxonomy economic activity 7.7 Acquisition and ownership of buildings under climate change mitigation delegated act and are therefore included in the taxonomy reporting. Data sources for data collected and reported for right of use assets consists of rent invoices. Data for the calculation of CapEx are sourced from invoices for equipment, leaseholds and projects and costs for employees, consultants or other expenses connected to a development expenditure.

**Non-material economic activities**

H&M Group undertakes additional economic activities beyond those listed above: however, their total value is below an internally set threshold of SEK 50 m. These economic activities are considered non-material to H&M Group's business. Consequently, H&M Group concludes that they are not relevant for reporting as either eligible or aligned, as they represent less than 1 percent of H&M Group's CapEx, OpEx or turnover. Such economic activities are installation, maintenance and repair of renewable energy technologies – solar panels (7.6 CCM/CCA) and data-driven solutions for GHG emissions reduction (8.2 CCM/CCA).



**Alignment assessment**

Based on the analysis carried out, H&M Group has assessed the economic activity CE 5.4 to be aligned.

**CE 5.4 Compliance with the technical screening criteria of substantial contribution to circular economy**

The economic activity consists of selling a second-hand product that has been used for its intended purpose by a customer. Indeed, we include in this economic activity only the turnover coming from items in second-hand conditions. The product sold is covered by a sales contract and in accordance with provisions as regards conformity of the product and liability of the seller. A waste management plan is not required since the product is not repaired, refurbished or remanufactured before reselling. The packaging used by Sellpy meets the requirement of at least 65 percent recycled material.

**CE 5.4 Compliance with the technical screening criteria of not causing significant harm (DNSH)**

**Climate change mitigation**

In line with the criteria, the direct GHG emissions coming from on-site generation of heat/cool or co-generation including power (i.e., from the warehouses that handle Sellpy's operations) are lower than 270 $gCO_2e/kWh$. As part of the efforts to reduce emissions, the H&M group climate strategy and reporting data also covers Scope 1 and 2 of Sellpy's emissions, while Sellpy reports its own transport emissions.

**Climate change adaptation**

H&M Group performed a climate-related scenario analysis in 2024, whose outcome is reported on page 74. The climate-related scenario analysis also covers activities aligned with the EU taxonomy.

**Water and marine resources**

There is no relevant use of water and chemicals in the processes owned by Sellpy.

**Pollution prevention and control**

There is no relevant use of chemicals in the processes owned by Sellpy.

**Compliance with the minimum safeguards**

For any economic activity to be considered 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 performed a requirement mapping in 2023, which resulted in adjustments of minimum safeguard activities in line with the EU taxonomy. In 2025 H&M Group monitored that each requirement is fulfilled.

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). Please refer to the following sections of the Annual and Sustainability Report to read how H&M Group addresses each area set by the EU Taxonomy minimum safeguards:

- Human rights policy – see 'Our policies and commitments' on page 120.
- Human rights due diligence and risk assessment – see 'Due diligence process' on page 65.
- Addressing human rights impacts – see targets and actions in the Social chapters on page 98.
- Human rights communication – see 'Process for engagement and remediation' in the Social chapters on page 98.
- Grievance mechanisms – see 'Our policies and commitments' on page 120.
- Consumer interests – see 'Consumers and end-users' on page 113.
- Anti-corruption – see 'Business conduct' on page 117.
- Competition and tax policy - for more information see hmgroup.com.

**Comments and discussion on results and changes from previous year**

This year's reported OpEx is based on an updated selection methodology, which results in a lower reported amount compared to the previous year. To enable a consistent comparison, the previous year's OpEx has also been recalculated in accordance with the new methodology. The share of turnover coming from sales of second-hand goods is constantly increasing thanks to the expansion of the operations of Sellpy. Please read more about our actions to decouple our growth from dependency of critical and finite resources and support the circulation of products and materials at their highest value on page 88.

**Proportion of turnover, CapEx, OpEx from products or services associated with taxonomy-eligible or taxonomy-aligned economic activities – disclosure covering year 2025 (summary KPIs)**

| 2025 | | | | | Breakdown by environmental objectives of taxonomy aligned activities | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KPI | Total (SEK m) | Proportion of taxonomy eligible activities (%) | Taxonomy aligned activities (SEK m) | Proportion of taxonomy aligned activities (%) | Climate change mitigation (%) | Climate change adaptation (%) | Water (%) | Circular economy (%) | Pollution (%) | Biodiversity (%) | Proportion of enabling activities (%) | Proportion of transi-tional activities (%) | Not assessed activities considered non-material (%) | Taxonomy aligned activities in previous financial year (SEK m) | Proportion of taxonomy aligned activities in previous financial year (%) |
| Turnover | 228,285 | 0.8 | 1,844 | 0.8 | 0 | 0 | 0 | 0.8 | 0 | 0 | 0 | 0 | 0 | 1,449 | 0.6 |
| CapEx | 13,029 | 19.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 145 | 1 |
| OpEx | 2,742 | 0.5 | 13 | 0.5 | 0 | 0 | 0 | 0.5 | 0 | 0 | 0 | 0 | 0 | 11 | 0.5 |

**Turnover**

| Reported KPI | Turnover | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial year | 2025 | | | | Environmental objective of taxonomy aligned activities | | | | | | | | | |
| Economic activity | Code | Taxonomy eligible KPI (Proportion of taxonomy eligible turnover) (%) | Taxonomy aligned KPI (monetary value of turnover) (SEK m) | Taxonomy aligned KPI (proportion of taxonomy aligned turnover) (%) | Climate change mitigation (%) | Climate change adaptation (%) | Water (%) | Circular economy (%) | Pollution (%) | Biodiversity (%) | Enabling activity (%) | Transitional activity (%) | Proportion of taxonomy aligned in taxonomy eligible (%) |
| Sale of second-hand goods | CE 5.4 | 0.8 | 1,844 | 0.8 | 0 | 0 | 0 | 0.8 | 0 | 0 | | | 100 |
| Sum of alignment per objective | | | | | 0 | 0 | 0 | 0.8 | 0 | 0 | | | |
| **Total KPI (turnover)** | | **0.8** | **1,844** | **0.8** | **0** | **0** | **0** | **0.8** | **0** | **0** | **0** | **0** | **100** |

**CapEx**

| Reported KPI | CapEx | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial year | 2025 | | | | Environmental objective of taxonomy aligned activities | | | | | | | | |
| Economic activity | Code | Taxonomy eligible KPI (proportion of taxonomy eligible CapEx) (%) | Taxonomy aligned KPI (monetary value of CapEx) (SEK m) | Taxonomy aligned KPI (proportion of taxonomy aligned CapEx) (%) | Climate change mitigation (%) | Climate change adaptation (%) | Water (%) | Circular economy (%) | Pollution (%) | Biodiversity (%) | Enabling activity (%) | Transitional activity (%) | Proportion of taxonomy aligned in taxonomy eligible (%) |
| Installation, maintenance and repair of energy efficient equipment | CCM 7.3 | 1.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | E | | 0 |
| Installation, maintenance and repair of instru-ments and devices for measuring, regulation and controlling energy performance of buildings | CCM 7.5 | 0.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | E | | 0 |
| Acquisition and owner-ship of buildings | CCM 7.7 | 17.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 |
| Sum of alignment per objective | | | | | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| **Total KPI (CapEx)** | | **19.9** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

**OpEx**

| Reported KPI | OpEx | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial year | 2025 | | | | Environmental objective of taxonomy aligned activities | | | | | | | | |
| Economic activity | Code | Taxonomy eligible KPI (proportion of taxonomy eligible OpEx) (%) | Taxonomy aligned KPI (monetary value of OpEx) (SEK m) | Taxonomy aligned KPI (proportion of taxonomy aligned OpEx) (%) | Climate change mitigation (%) | Climate change adaptation (%) | Water (%) | Circular economy (%) | Pollution (%) | Biodiversity (%) | Enabling activity (%) | Transitional activity (%) | Proportion of taxonomy aligned in taxonomy eligible (%) |
| Sale of second-hand goods | CE 5.4 | 0.5 | 13 | 0.5 | 0 | 0 | 0 | 0.5 | 0 | 0 | | | 100 |
| Sum of alignment per objective | | | | | 0 | 0 | 0 | 0.5 | 0 | 0 | | | |
| **Total KPI (OpEx)** | | **0.5** | **13** | **0.5** | **0** | **0** | **0** | **0.5** | **0** | **0** | **0** | **0** | **100** |

# Social

We take our social responsibility by advancing human rights and prioritising actions that protect the health and well-being of our customers, employees, and everyone working in the textile and fashion industry. Our ambition is to inspire collective action to drive change and unlock the full potential of both people and innovations.



# Own workforce

**Our ambition, steering and strategy**
Our ambition is to create a safe and inclusive workplace where everyone can thrive, develop and contribute in a meaningful way. People working in our own operations include both employees in our stores, offices and warehouses with direct employment contracts, as well as non-employees such as external consultants and agency workers[1]. Their views, interests and rights are a central part of our strategy to ensure we deliver on our business idea. To achieve our ambition, and manage issues related to workload, working conditions and remuneration, we focus our efforts on strengthening our practices and policies to improve the health and wellbeing of our workforce. This includes actions to ensure adequate wage levels, promotion of physical and mental health, maintaining zero tolerance for harassment and violence, advancing inclusive practices, and investing in leadership training and talent development. These efforts strengthen our business resilience and improve the employee experience by reducing staff turnover, increasing engagement, and helping us retain a skilled and motivated workforce that contributes to the development of our business.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Working conditions and collective bargaining agreements** | | |
| Ensuring good working conditions is central to our responsibilities as an employer. In some roles, especially in retail and logistics, employees may face long working hours and high job demands, this could affect their wellbeing. | To address this matter, we have taken measures to safeguard employees' rights by supporting freedom of association and collective bargaining through our social policies and agreements with trade unions. We also apply global minimum employment standards, which in 2025 were expanded to explicitly include protection against forced labour. | H&M Group's social policies |
| **Colleague wellbeing, health and safety** | | |
| We strive to provide a safe and healthy work environment, but we also recognise that certain roles and responsibilities within our own operations may involve physically demanding activities, and exposure to risks such as heavy lifting and repetitive tasks. These activities can impact both the physical and mental health of our colleagues, as well as affect their access to a safe work environment free from accidents. | To address this matter, we have taken action to protect colleagues' wellbeing by systematically identifying and mitigating health and safety risks by implementing a global digital incident and accident tracking system. We continuously improve working conditions to promote both physical and mental wellbeing across our workplaces. | H&M Group's social policies |
| **Diversity and inclusion** | | |
| We are committed to continuously improving our practices and policies by promoting diversity in recruitment, offering training, and ensuring equal treatment and equal opportunities for all. A lack of diversity and inclusion in the workplace can affect our colleagues, impacting their sense of belonging and their opportunities for career development. | To address this matter, we have applied an inclusion and diversity lens across the employee lifecycle, made I&D training more accessible, and expanded awareness efforts. We have also grown employee-led colleague resource groups (CRGs) to foster belonging and launched a global I&D dashboard to track progress. These actions support a more inclusive workplace, strengthen belonging, and promote career growth. | H&M Group's social policies |
| **Colleague data security and privacy** | | |
| Our business handles colleague personal data, including in some cases sensitive personal data. Inadequate protection or misuse of colleague personal data may directly compromise colleagues' privacy rights and expose them to risks such as identity theft, discrimination, or unauthorized disclosure of information. | To address this matter, we have established dedicated teams, a comprehensive data privacy policy, and supporting procedures to ensure protection of our colleagues' personal data. Our structured data privacy framework guides how we safeguard privacy in data handling, covering organisation, governance and privacy by design. | H&M Group's data privacy policy |
| **Forced labour in own operations** | | |
| We acknowledge the potential risk of forced labour in our own operations, particularly in high-risk regions and within our warehouses. Warehouse workers, including temporary or migrant labourers, may face exploitative conditions, such as being coerced into working under threats or manipulation, without fair compensation or the freedom to leave their job. | To address this matter and prevent forced labour, we apply H&M Group's minimum employment standards across all operations. In 2025, we strengthened these standards with explicit protections against forced labour to ensure safe and decent working conditions. | H&M Group's human rights policy and social policies |
| **Working hours, wages and secure employment** | | |
| We acknowledge challenges related to working conditions for temporary employees in our stores and warehouses. These employees often receive compensation that fluctuates depending on workload and seasonal demand, which can affect their ability to make a living. | To address this matter, we have strengthened our work on competitive compensation. This includes a global approach to wage analysis, harmonising employee data, and taking targeted actions through benchmarking and salary adjustments to ensure that all employees receive a wage that meets benchmarks for adequate pay levels. | H&M Group's human rights policy and social policies |

1. We use the term 'employees' for employed staff, and the term 'colleagues' to include both employees and non-employees.

### Management of material sustainability matters

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Work-life balance** | | |
| We acknowledge the importance of promoting a healthy work environment and are committed to implementing practices that support better work-life balance, such as flexible working hours, mental health support, and clearer boundaries between work and private life. However, we are aware that some of our employees may experience a lack of work-life balance, which in the long term can affect their physical and mental health. | To address this matter, we have taken action to support work-life balance by applying minimum employment standards, which include provisions for rest periods, night work, and parental leave. In 2025, we continued to work on initiatives such as global health and safety week that promote employee wellbeing, helping to create healthier, more balanced working environments. | H&M Group's social policies |
| **Risk of inadequate information security and protection of employee data** | | |
| There is a risk of non-compliance with data privacy laws across global operations such as the General Data Protection Regulation (GDPR) in the EU due to failure to implement effective privacy management of employee data. Non-compliance with these regulations could lead to significant legal liabilities, including extensive penalties, reputational damage, and operational disruptions. | To reduce this risk, we are implementing policies, procedures, guidelines and controls for handling, storing and processing personal employee data. | H&M Group's data privacy policy |
| **Risk of lower talent attraction and colleague retention** | | |
| We face a risk of not attracting and retaining top talent if we fail to foster a positive work environment and offer career development opportunities, which could lead to higher colleague turnover, skills shortages, decreased productivity and increased recruitment costs. | To reduce this risk, we review all parts of the colleague lifecycle. We have also introduced updated programs to empower our colleagues through focused growth and career developments and revised principles related to our corporate culture to promote a positive and inclusive work environment. | H&M Group's social policies |

### The identification and assessment of material matters

Our process to identify and assess impacts, risks and opportunities on our own workforce that originate from our business activities, or may affect our business model, is based on our due diligence process including salient human rights assessment and employee engagement survey.

The employee engagement survey covers our six pillars of engagement, wellbeing, clarity, connection, empowerment, growth and purpose, providing insight into how employees experience their work and our culture. The insights gained from the employee engagement survey are used at different levels and help teams to better understand how H&M Group can continue to improve and develop as an employer and deliver on our commitment to empower and respect the rights of all our employees. Our actions related to the management of impacts on our own workforce are mainly focused on our employees, which are an important key stakeholder group, to ensure we deliver on our business idea.

However, we recognise that our business activities may affect our own workforce differently depending on their roles and responsibilities. Given that our business model depends on our ability to attract, engage and retain people employed at our own operations, addressing salient human rights issues is central to the continued success of our business. In doing so, we pay particular attention to widespread and systemic issues, and we recognise that there is a heightened risk of forced labour in certain regions where we operate. Especially vulnerable groups such as temporary workers or minority groups working in our warehouses in these regions may be particular exposed to salient human rights issues such as forced labour.

To ensure we understand how these groups may be affected by our business activities, our subject matter experts engage with our teams on the ground who have insights into our daily operations and deep knowledge about these issues. The purpose of this engagement is to evaluate the effectiveness of our actions to prevent and manage salient human rights issues. As part of this process, we have also assessed how our climate transition plan may impact our workforce. At present, we do not anticipate any material restructuring or workforce reductions as a result of our actions taken to reach our climate targets.

### Policies related to our own workforce

To manage matters related to our own workforce, we are guided by our human rights policy, social policies, and supporting guidelines. Our social policies include commitments on equality, inclusion, diversity, non-discrimination, harassment prevention, health and safety, labour relations, grievance handling, and compensation. Our policies are grounded in international standards, including the UN Guiding Principles, International Labour Organisation's (ILO's) declaration, OECD Guidelines, and relevant UN conventions. We promote colleague engagement through structured dialogues, training, and anonymous reporting through our Speak Up channel. When adverse impacts occur, we engage directly with affected individuals to provide or enable appropriate remedy.

We safeguard employees' health, safety and wellbeing through our social policies and a systematic approach that aims to identify, report and monitor incidents, and to ensures that any accidents are reported and addressed promptly. We prohibit all forms of trafficking, forced labour, and child labour, and commit to eliminating discrimination and harassment, promoting equal opportunities, and advancing diversity and inclusion across all levels of our organisation. Our policies include specific commitments for vulnerable groups, bias-aware recruitment, inclusion training, and colleague resource groups. Insights from our employee engagement survey also help us to identify gaps, prioritise improvements, and measure progress over time. Read more about our policies and commitments on page 120.

### Process for engagement and remediation

H&M Group engages with own employees and their representatives as part of our human rights due diligence process. Our global framework agreement with UNI Global Union and its affiliates enables ongoing and structured engagement with union representatives across markets. Through consultations, we identify and assess risks associated with human rights violations and set common priorities.

We maintain structured dialogue through our European works council (EWC), where we hold quarterly discussions on working conditions, organisational changes, and employee wellbeing. Local engagement with employee representatives, works council, and unions further supports the identification of emerging issues and ensures that employees are informed, consulted and involved in decisions affecting them. We assess the effectiveness of our engagement by reviewing employee participation and feedback from our engagement survey, monitoring the reach and use of our Speak Up channel, and evaluating the scope and frequency of union dialogues and collective bargaining coverage. Oversight of these processes lies with our global people relations function, which collaborates across markets to ensure employee perspectives are integrated into decision-making and to promote a safe, inclusive and respectful workplace.



#### Remediation of negative impact

Everyone working at H&M Group or at a business partner's site – including subsidiaries, subcontractors, and other relevant stakeholders – is encouraged to raise concerns anonymously through our publicly accessible whistleblowing platform, Speak Up. The platform is open to employees, workers in our value chain, affected communities, and customers. We strictly prohibit retaliation for good-faith reporting, as outlined in our Speak Up guidelines.

Grievances related to our own workforce are initially assessed by a central team and then delegated to local HR specialists for investigation, ensuring timely solutions that are context sensitive. All outcomes are documented and logged in our internal case management system, with data regularly reviewed to identify trends and improve process effectiveness. This approach aligns with the UN Guiding Principles on Business and Human Rights, ensuring fairness, confidentiality and transparency.

When a negative impact affecting colleagues in our own operations or value chain, people living in affected communities, or our customers is identified or suspected – whether caused or by us or our business partners – we investigate and engage in remediation and enable remedy for those affected. In cases of direct linkage, we collaborate with peers and stakeholders to encourage responsible action. Our remediation principles prioritise safeguarding victims, especially vulnerable groups such as children, youth, women, and marginalised populations, and emphasise unbiased, evidence-based decision-making. We also recognise the vital role of trade unions and worker representatives in preventing and addressing issues. We measure the effectiveness of a remedy by confirming that all agreed action plans have been fully implemented and that impacted individuals report a satisfactory outcome. Continuous follow-up is carried out until the remedy is fully delivered. This process is described in our remediation procedure.

### Our targets and actions

To ensure we achieve our ambition and continue respecting human rights, we have set targets related to our key actions to manage material impacts, risks and opportunities linked to our own workforce. While no stakeholders have been directly involved in setting these targets, we have consulted with employee representatives such as the European works council (EWC) and local trade unions to ensure the continual improvement of our targets, calculation methods and operational strategies.

**Targets for 2028**

- Improve employee engagement year-on-year and increase the satisfaction score (eSAT) to 80

These targets are voluntary and not required by legislation. The target is relative. For underlying assumptions and comment on our progress against these targets, see page 102 .

#### Employee engagement

We have set a target to improve employee engagement year-on-year with the aim to foster a safe and supportive working environment where employees can thrive. To reach this target and uphold our policy commitments, we are implementing targeted actions to strengthen employee engagement, including initiatives focused on leadership capability, wellbeing, inclusion, and communication.

*Action: Securing labour rights*

H&M Group is committed to upholding employees' rights to freedom of association and collective bargaining in line with the UN Guiding Principles and OECD Guidelines. These rights are embedded in our labour relations policy, global framework agreement with UNI, and collaboration with the EWC, complemented by local union engagement under applicable laws.

In 2025, we expanded our minimum employment standards to explicitly prohibit all forms of forced labour, applying to all directly contracted employees. Implementation is led by our local human resource teams, supported by dedicated financial, human and operational resources. Managers are responsible for ensuring day-to-day compliance and embedding these standards in workplace practice. Our approach includes short-term (2023–2025) roll-out and training, medium-term (2025–2028) enhanced monitoring, and long-term continuous improvement.

Progress is measured through key indicators including collective bargaining coverage, grievance resolution rates, audit results, and employee surveys. Our local human resource teams are accountable for implementation, while annual reporting ensures transparency, consistency, and continuous evaluation across all operations. Although we are actively taking action to secure labour rights, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Ensuring employee wellbeing, health and safety*

H&M Group prioritises employee wellbeing, health and safety in accordance with the UN Guiding Principles and OECD Guidelines. We take a systematic and preventive approach to identifying, assessing and mitigating risks, continuously improving working conditions to protect physical and mental health. In 2025, we strengthened this commitment by launching a global occurrence handling system to register, track and respond promptly to incidents, enhancing risk management, reporting accuracy, and accountability.

We also host an annual global health and safety week designed to raise awareness, build preventive capability, and foster a culture of care and shared responsibility across all workplaces. Implementation is led by our HR and security teams, supported by managers who ensure daily compliance and consistent safety practices. Resources – including dedicated personnel, training, and operational tools – are allocated to sustain these efforts. Our approach emphasises ongoing improvement, with regular monitoring of incident trends and employee feedback. This ensures safe, supportive environments promoting physical and mental wellbeing, underpinned by clear accountability and annual reporting on progress and effectiveness. Although we are actively implementing actions to ensure employee wellbeing, health and safety, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Ensuring inclusive workplaces for all*

H&M Group is committed to continuously advancing inclusion and diversity (I&D) across the entire colleague experience and career lifecycle. In 2025, we expanded access to I&D training with bite-sized formats, launched awareness campaigns, and invested in employee-led colleague resource groups (CRG) that foster connection, growth, and business insights. We celebrate global events such as Pride and International Women's Day to promote visibility, allyship and inclusivity.

A global I&D dashboard was introduced, with group-wide KPIs that will be implemented to monitor progress. These initiatives cover all workplaces and form part of a multi-year strategy to embed I&D into our culture, fostering a more inclusive, equitable environment that supports belonging and career progression. Implementation is supported by a dedicated global I&D team and an annual budget, with regional and functional alignment. Progress is regularly monitored and reported, ensuring accountability and continuous improvement towards our inclusion ambition. Although we are actively implementing actions to ensure inclusive workplaces for all, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Ensuring adequate wages and working hours*

H&M Group is committed to supporting work-life balance and ensuring equitable compensation for all directly contracted employees, regardless of contract type or hours. This includes encouraging collective bargaining agreements, applying clear employment standards, which include provisions for rest periods, night work, and parental leave, and support continuous improvement through a structured dialogue with employee representatives. Our total rewards philosophy emphasises fairness, transparency and competitiveness. In 2025, we furthered global efforts to harmonise compensation data and integrated a robust methodology for assessing adequate wages compared to living wage benchmarks. This enables us in monitoring and maintaining an adequate wage for all employees across all countries of operation based on full-time equivalent salaries excluding overtime compensation. Thanks to our global systems, we will conduct biannual evaluations to ensure continued alignment with adequate wage levels and living wage

benchmarks. Our objective is to ensure wages consistently meet employees' basic needs, including housing, transport and food, supported by responsible and transparent wage practices.

These efforts form part of an ongoing commitment to improve working conditions and promote competitive and equitable compensation worldwide, with regular monitoring and reporting to track progress and effectiveness. Although we are actively implementing actions to ensure adequate wages and working hours, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Attracting and developing talent*

We are committed to developing our global talent strategy by reviewing all parts of the employee lifecycle to support both individual and team development. We gather feedback from employees through our employee listening strategy to improve the employee experience. In 2025, we refreshed our leadership principles and launched two key initiatives: a foundational leadership development programme and a global onboarding programme for leaders. Additionally, we revitalised our cultural principles to cultivate an inclusive environment where employees feel a sense of belonging, empowerment and motivation.

These ongoing efforts apply to all directly contracted employees and aim to reduce turnover, close skills gaps, and boost engagement. The expected outcome is a development-oriented workplace that strengthens career progression, attracts top talent, and mitigates risks such as skills shortages and higher recruitment costs. Implementation is supported by a dedicated HR team, regular progress reviews, and an allocated training budget. Continuous monitoring and reporting ensure accountability and ongoing improvement in talent management practices across the organisation. Although we are actively implementing actions to attract and develop talent, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Protecting employee data privacy and integrity*

H&M Group is committed to the lawful, fair and transparent handling of personal data, safeguarding employee privacy rights through robust technical, organisational and procedural measures. These include data encryption, access controls, regular privacy risk assessments, and compliance reviews to ensure ongoing protection and regulatory adherence. Ongoing employee training on privacy principles and regulatory obligations fosters a culture of accountability.

This comprehensive approach applies across all business units, functions and geographies where personal data is processed. It is coordinated by our data privacy community in line with our data privacy framework. The initiative is designed as a long-term, continuously monitored programme, supported by a dedicated budget for training, compliance reviews, and technology investments. Expected outcomes include enhanced data protection, increased employee awareness, strengthened stakeholder trust, and demonstrated compliance with global privacy regulations. Continuous monitoring and reporting ensure accountability and ongoing improvement in data privacy practices throughout the organisation. Although we are actively implementing actions to protect employee data privacy and integrity, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

**Our progress and results**

During 2025, nearly half of the H&M group's workforce was covered by collective bargaining agreements or represented by trade unions, corresponding to 49 percent of total employees.

Pay equity and just remuneration remained core priorities. The gender pay gap, expressed as a percentage of the average pay level of male employees, amounted to 99.7 percent. When considering annual total remuneration ratio between the highest paid individual and the median salary, the corresponding ratio was 90.4. No gaps were identified in relation to adequate wage benchmarks, indicating that all employees earn at or above adequate wage levels, in every country of operation.

Employee engagement is continuously monitored through regular employee satisfaction surveys. During 2025, the employee satisfaction score reached 77, compared with 76 in the previous year. This represents a year-on-year improvement of one point, in line with our target to steadily strengthen employee engagement until 2028, and is the highest score we have recorded since we introduced the survey.



**Characteristics of employees – Number of employees by gender[1]**

| Gender | Number of employees (headcount) 2025 |
|---|---|
| Male | 31,590 |
| Female | 100,813 |
| Total employees | 132,403 |

1. Gender identities beyond male and female are not reported. Although additional gender categories may be recognised or recorded locally, they are not part of the global HR data model and cannot be aggregated at group level.

**Characteristics of employees – Number of employees by countries**

| Country | Number of employees (headcount) 2025 |
|---|---|
| Germany | 15,988 |
| USA | 14,534 |
| Sweden | 10,262 |
| Other countries | 91,619 |

**Characteristics of employees – Number of employees by work type[1]**

| 2025 | Female | Male | Total |
|---|---|---|---|
| Number of employees | 100,813 | 31,590 | 132,403 |
| Number of permanent employees | 81,476 | 26,473 | 107,949 |
| Number of temporary employees | 19,337 | 5,117 | 24,454 |
| Number of non-guaranteed hours employees | 0 | 0 | 0 |
| Number of full-time employees | 44,921 | 18,371 | 63,292 |
| Number of part-time employees | 55,892 | 13,219 | 69,111 |

1. Gender identities beyond male and female are not reported. Although additional gender categories may be recognised or recorded locally, they are not part of the global HR data model and cannot be aggregated at group level.

**Characteristics of employees – Employee turnover**

| | 2025 |
|---|---|
| Number of employee turnover | 77,555 |
| Percentage of employee turnover[2] (%) | 59.2 |

2. Employee turnover is structurally higher in the retail sector due to the predominance of part-time contracts and the marked seasonality of retail operations.

**Collective bargaining coverage and social dialogue**

| | Collective bargaining coverage | | Social dialogue |
|---|---|---|---|
| Coverage rate 2025 | Employees – EEA (for countries with > 50 employees representing > 10% total employees) | Employees – Non-EEA (estimate for regions with > 50 employees representing > 10% total employees) | Workplace representation – EEA only (for countries with > 50 employees representing > 10% total employees) |
| 0–19% | | US | |
| 20–39% | | | |
| 40–59% | | | Germany |
| 60–79% | | | |
| 80–100% | Sweden, Germany | | Sweden |

**Diversity metrics – Age distribution employees**

| 2025 | Total | Percentage |
|---|---|---|
| Number of employees under 30 years old | 67,676 | 51.1 |
| Number of employees between 30 and 50 years old | 53,881 | 40.7 |
| Number of employees over 50 years old | 10,846 | 8. 2 |

**Diversity metrics – Gender distribution top management level**

| 2025 | Total | Percentage |
|---|---|---|
| Female employees at top management level | 53 | 51 |
| Male employees at top management level | 51 | 49 |

**Training and skills development**

| 2025 | Female | Male |
|---|---|---|
| Average number of training hours per employee | 15.7 | 15.1 |

**Health and safety metrics**

| | 2025 |
|---|---|
| Percentage of people in own workforce who are covered by the undertaking's health and safety management system, based on legal requirements and/or recognised standards or guidelines (%) | 100 |
| Number of fatalities in own workforce as a result of work-related injuries and work-related ill health | 0 |
| Number of fatalities as a result of work-related injuries and work-related ill health of other workers working on undertaking's sites | 0 |
| Number of recordable work-related accidents for own workforce | 3,190 |
| Rate of recordable work-related accidents for own workforce (%) | 17.5 |

**Incidents, complaints and severe human rights impacts**

| | 2025 |
|---|---|
| Number of incidents of discrimination | 0 |
| Number of complaints filed through channels for people in own workforce to raise concerns | 2,289 |
| Number of complaints filed to national contact points for OECD Guidelines for Multinational Enterprises | 0 |
| Amount of fines, penalties, and compensation for damages as a result of incidents of discrimination, including harassment and complaints filed | 0 |
| Number of severe human rights issues and incidents connected to own workforce | 0 |
| Number of severe human rights issues and incidents connected to own workforce that are cases of non-respect of UN Guiding Principles and OECD Guidelines for Multinational Enterprises | 0 |
| Amount of fines, penalties, and compensation for severe human rights issues and incidents connected to own workforce | 0 |

**Assumptions and accounting principles**
H&M Group's reporting of own workforce data is done in accordance with the requirements as set out in ESRS – see 'Basis for preparation of the sustainability statement' and 'Disclosures in relation to specific circumstances' on page 63 for more information.

**Characteristics of employees**
Covers all employees globally as of 30 November, including permanent, temporary, full-time, and part-time employees. The calculation is based on headcount. For financial related employee numbers please see note 9 in the financial statement where average numbers of employees (expressed as full-time equivalents) are shared. Definitions of employment types follow ILO classifications. Part-time employees comprise employees who work less than the definition of full-time employment in the country of employment. Countries listed represent those with at least 10 percent of total employees. Employee turnover is calculated as the number of employees who left during the fiscal year divided by the average headcount for the same period. Data is sourced from our global HR information system. No estimates are applied, except for manual integration of German data due to local GDPR restrictions.

**Collective bargaining coverage and social dialogue**
The data relates to the number of employees that are covered by a collective bargaining agreement or is represented by a union in relation to the total headcount of the H&M group as of 30 November. Data is collected through local payroll systems.

**Diversity metrics**
Covers all employees globally. Top management is defined as managers reporting directly to the CEO and managers reporting directly to them. Data is sourced from our global HR information system.

**Adequate wages**
Adequate wages is prepared and reported as percentage of employees paid below the applicable adequate wage benchmark in total and per country. The metric is calculated by comparing individual gross pay for all employees as of 30 November in the reporting year to applicable agreements, legal wage levels and benchmarks, including the annual WageIndicator Foundation's living wage guidance, for each country or region. Wage data is sourced from our global HR information system and compared with benchmark data. Local reviews are conducted to validate results and to ensure calculations are based on relevant wage components.

**Training and skills development**
Covers all employees with access to our digital learning platforms. Some learning initiatives are managed outside our global digital learning platform but tracked in local solutions and these hours are added. On-the-job training is excluded, which may understate total learning hours. Average learning hours per employee are calculated as total tracked hours, divided by the average number of employees by gender. Data is sourced from our global HR information system. No estimates are applied.



**Health and safety metrics**
Covers all employees globally and include incidents occurring at H&M Group workplaces. These metrics are based on headcount figures. Recordable incidents include fatalities, lost-time injuries, restricted work cases, and medical treatment. The rate is calculated per one million hours worked. Data is sourced from our global incident and accident system, supplemented by manual reporting where system coverage is incomplete. The methodology aligns with ISO 45001.

**Incidents, complaints and severe human rights impacts**
Covers all substantiated cases of incidents, discrimination, complaints, and severe human rights incidents involving our own workforce globally. Anonymous reporting is permitted, which limits verification of origin, but all cases are reviewed internally. Data is sourced from our Speak Up platform. The methodology aligns with UN Guiding Principles on Business and Human Rights, and OECD Due Diligence Guidance for Responsible Business Conduct.

**Remuneration metrics**
Covers all employees globally. The gender pay gap is calculated as the difference between the average gross pay of male and female employees, weighed by the total number of employees occupying that job, expressed as a percentage of male pay. The remuneration ratio compares the highest-paid individual's annual total remuneration with the median employee's remuneration. The median employee's remuneration excludes the highest-paid individual. Remuneration is defined as the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, other forms of variable cash payments, and long-term incentives. Benefits in kind, such as cars, private health insurance, life insurance, and wellness programmes are not included. The gender pay gap calculation is based on gross hourly pay for all employees, including permanent, temporary, full-time and part-time employees. Gross hourly pay is derived by dividing total gross pay by actual hours worked during the reporting period. Data is sourced from our global HR information system. No estimates are applied. The methodology aligns with ILO's equal remuneration convention.

**Employee engagement survey results**
Covers the results of H&M Group's global employee engagement survey, which measures engagement through a standardised set of questions. Participation is voluntary and open to all employees within the reporting scope. The metric refers to the score gathered from the eSAT question in our Global Employee Engagement survey, with employees answering the statement of 'How happy are you working at [brand]' in a 5-point Likert scale which is recalculated into a score ranging from 0–100. The metric is calculated as the average engagement score across all respondents. Data is sourced from our digital engagement platform and validated by the HR analytics team, to ensure completeness and accuracy. No estimates are applied.

# Workers in the value chain

**Our ambition, steering and strategy**
Our ambition is to address actual and potential negative impacts on workers in the value chain while contributing to the creation of safe and healthy workplaces. Workers in our value chain include people employed by our direct suppliers in the textile and product manufacturing industry, as well as people employed by our indirect suppliers in the raw material extraction and processing industry. It also includes workers in the transportation and logistics industry, workers in our warehouses and facilities, as well as people working in our downstream value chain with the collection, sorting, recycling, resale and disposal of garments and textiles. Since we do not own any factories, we depend on workers in our value chain to produce the goods we sell. We systematically incorporate their views and interests through our due diligence process to ensure that salient human rights issues are addressed and managed. By integrating the views and interests of value chain workers into strategic business decisions such as material and supplier selection, we also aim to mitigate risks and improve our resilience.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Health and safety of workers in the value chain (Tier 3 and 4)** | | |
| Workers in the raw material extraction, processing and textile production industry may be exposed to highly hazardous pesticides and substances, and operate in unsafe working conditions. This could impact their physical and psychological health and wellbeing. | To address this matter, we have strengthened due diligence and continue collaborating with multi-stakeholder initiatives to address health and safety concerns. Our raw material sourcing strategy and targets are designed to contribute to minimising harm and reducing negative impact. | H&M Group's human rights policy and sustainability commitment |
| **Health and safety of workers in the value chain (Tier 1 and 2)** | | |
| Textile manufacturing workers may be exposed to substances classified as hazardous, which are used when dyeing and washing fabrics, or experience a lack of training and poor equipment. This could affect workers' physical and psychological health and wellbeing. | To address this matter, we have set strict contract conditions in our sustainability commitment. We have also developed health and safety guidelines and training with Tier 1 and 2 suppliers. We proactively address health and safety risks by continuously monitoring our production countries. | H&M Group's human rights policy and sustainability commitment |
| **Health and safety of workers in the logistics industry** | | |
| Workers in the logistics and transportation industry may experience unsafe working conditions due to inadequate safety measures and poor work clothing or equipment. This could lead to injuries and fatal accidents when for example moving products and goods. | To address this matter, we have set up health and safety guidelines with business partners. Furthermore, we support our business partners to set efficient guidelines and training and are monitoring the risk level in different locations and business partners to help the organisation proactively address any high-risk areas. We carry out security audits to check our safety measures are in place. In addition, we carry out on-site visits to warehouses and self-assessments. | H&M Group's human rights policy and sustainability commitment |
| **Forced labour in the value chain** | | |
| Workers employed in sectors related to the extraction and processing of raw materials may experience poor working conditions. This includes being coerced into working under exploitative conditions, or with limited freedom or adequate compensation. This can undermine the wellbeing and dignity of affected individuals. | To address this matter, we have set strict contract conditions in our sustainability commitment and monitor our business partners through audits and grievance channels. We work with production partners on ethical recruitment and addressing excessive overtime. We also collaborate with multi-stakeholder initiatives to address systemic risks. | H&M Group's human rights policy and sustainability commitment |
| **Child labour in the value chain** | | |
| We acknowledge that there is a risk of child labour occurring within our value chain, particularly in activities and sectors related to the extraction and processing of raw materials and in regions where regulations may be less stringent. This could deprive children of their childhood, affecting their physical, mental and emotional development. | To address this matter, we have set strict contract conditions in our sustainability commitment and monitor our business partners through self-assessments, audits and grievance channels. We also support our suppliers in developing efficient policies and assessing supplier risk levels to proactively address high-risk areas. In raw material production, we have strengthened due diligence and collaborate with multi-stakeholder initiatives to tackle systemic issues such as child labour. | H&M Group's human rights policy and sustainability commitment |
| **Working conditions and adequate wages in the value chain** | | |
| We acknowledge that many workers employed at our direct or indirect suppliers may struggle to meet basic living standards, even when paid the minimum wage. This can result in financial instability and hinder the ability to live with dignity, affecting workers' lives and wellbeing. | To address this matter, we monitor wages at suppliers and ensure that wage payments meet local legal levels or the applicable collective bargaining agreement, and include correct overtime premiums, allowances and benefits. Through our wage strategy in our supply chain, we work to improve purchasing practices, enrol relevant business partners in our wage management system (WMS) programme to support wage improvements, and promote digital wage payments. | H&M Group's human rights policy and sustainability commitment |



**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Right to freedom of association of value chain workers** | | |
| In some regions and industries, workers may face barriers to exercising the right to freedom of association, such as restrictions on union formation, intimidation, or lack of access to effective social dialogue. This limits their ability to negotiate for better working conditions, adequate wages, and improved benefits, which can affect workers' wellbeing. | To address this matter, we promote workers' interests and freedom of association by supporting workplace dialogue programmes and strengthening the presence of democratically elected worker representatives in factories. Since 2015, we have upheld a global framework agreement (GFA) to support workers in having trusted representatives to raise work-related concerns and engage in meaningful dialogue. | H&M Group's human rights policy and sustainability commitment |
| **Secure employment of value chain workers** | | |
| Many workers in our supply chain, particularly in sectors such as manufacturing and warehousing, may face temporary, contract-based or seasonal work, which can lead to job insecurity and inconsistent income. This lack of job stability can affect workers' financial wellbeing, mental health, and overall quality of life. | To address this matter, we require our suppliers to meet our standards, including fair terms and conditions and protection against unpredictable hours or reduced earnings. In addition, all workers must have a contract in a language that they understand. | H&M Group's human rights policy and sustainability commitment |
| **Sexual harassment and gender-based violence in the value chain** | | |
| Workers in the value chain could be exposed to discrimination or harassment based on, for example, sexual orientation or gender. This could manifest in a variety of harmful ways, verbal or physical abuse, and exclusion from decision-making processes. Such discrimination or harassment can affect workers' wellbeing and overall quality of life. | To address this matter, we require suppliers to treat all workers with respect and dignity. They must implement mechanisms to prevent gender-based violence and all forms of harassment, as required by the sustainability commitment. We provide a grievance mechanism that aims to effectively remedy any negative impact identified and ensures no retaliation. Our gender-based violence and harassment (GBVH) guideline is supported by regular training for workers and management at supplier factories to raise awareness and promote safe working environments. | H&M Group's human rights policy and sustainability commitment |
| **Risk of non-compliance with regulations and poor working conditions in the value chain** | | |
| There is a risk of suppliers engaging in unethical practices, such as forced labour, child labour, and poor working conditions, which could expose the company to legal liabilities and reputational damage. If such violations are discovered, H&M Group could face legal penalties, as well as the need for remediation efforts to address these issues within the supply chain. | To reduce this risk, we conduct annual assessments and engage with partners and other stakeholders to proactively address and take appropriate measures if any unethical practices are discovered. In addition, our grievance channel is publicly available. It ensures effective remediation and no retaliation. | H&M Group's responsible business conduct policy, human rights policy and sustainability commitment |
| **Risk of supply disruptions related to human rights violations in the value chain** | | |
| There is a risk of labour unrest in major production markets due to harassment cases and non-equal treatment of workers in the textile and garment industry. A large share of textile and garment workers live on low wages, increasing the risk of labour abuses such as wage theft and union busting, causing labour-related work stoppages. Exposure to human rights violations in the value chain may lead to supply chain disruptions. | To reduce this risk, we conduct annual assessments and engage with partners and other stakeholders to proactively address and take appropriate measures if any unethical practices are discovered. In addition, our grievance channel is publicly available. It ensures effective remediation and no retaliation. | H&M Group's responsible business conduct policy, human rights policy and sustainability commitment |

**The identification and assessment of material matters**
Our process to identify and assess impacts, risks and opportunities on workers in the value chain that originate from our business activities, or may affect our business model, is based on our due diligence process and salient human rights assessment. To make sure we focus our efforts on the most important issues related to human rights and workers in the value chain first, we review our salient human rights issues yearly and whenever changes in our operations occur. The results of our human rights due diligence process help us ensure that we prioritise our efforts and effectively address our most severe human rights impacts. For our key production markets, we have local production teams on the ground who evaluate human rights impacts by engaging with workers in the value chain and their representatives. This engagement helps us understand the actual and potential impacts on value chain workers. The outcome of these processes informs and guides strategic business decisions such as the selection of operating locations and business partners.

We are aware that our business activities may affect workers differently depending on their role in the value chain. We rely on our suppliers, their employees, and our business partners to successfully deliver on our business model. Given that our business model depends on people employed at our direct and indirect suppliers as well as the business partners in our downstream value chain, addressing these issues is central to the continued success of our business. In doing so, we pay particular attention to vulnerable groups – such as children, youth, women, and marginalised populations – and apply heightened sensitivity when addressing issues such as gender-based violence and harassment, abuse, child labour or forced labour. We also recognise that there is a higher risk for these issues in some markets where we operate including Asia and Africa, and in some industries including logistics and transportation as well as raw material extraction and processing.

We continuously strive to implement practices and strategies that minimise any negative impacts related to our business activities that could affect workers in our value chain. Our material negative impacts are often systemic in nature, driven by the complexities of operating in challenging markets. These challenges are typically embedded in structural factors such as governance gaps, and weak enforcement of labour laws. Currently, our actions are primarily focused on our Tier 1 and 2 suppliers, where we have greater visibility into working conditions and business practices. We also work to

manage negative impacts related to the extraction of raw materials in Tier 4 of our supply chain, primarily through collaboration with partners such as the BCI. We will continue to explore ways to strengthen our efforts in Tier 3 and 4 of our supply chain, as well as develop actions to manage potential negative impacts for people working in our downstream value chain.

**Policies related to workers in the value chain**

To manage matters related to value chain workers, we are guided by our human rights policy which outlines our commitment to respecting the rights of all people along our value chain. In addition, we expect all our business partner to sign and comply with our sustainability commitment and code of conduct for business partners.

The sustainability commitment requires our business partners to respect the rights, wellbeing and dignity of all individuals along our value chain, and to ensure these standards are passed on to their own suppliers and partners. In addition, business partners must provide an effective grievance mechanism and a remediation process, as outline by the sustainability commitment.[1] Read more about our policies and commitments on page 120.

**Process for engagement and remediation**

We actively engage with workers along the value chain as part of our due diligence process to identify, manage and remediate actual and potential negative impacts. We place particular focus on affected stakeholders. We use various methods to listen to gather workers' perspectives and incorporate their input into our decision-making processes. For our key production markets, we have local production teams on the ground to evaluate human rights impact and engage with rightsholders and their representatives.

Through our global framework agreement with IF Metall and IndustriALL Global Union, we consult with global trade unions and their local affiliates monthly to identify and assess risks and collaborate on mitigation plans, and when applicable provide remedy. We also collaborate with the ILO's Better Work on country programmes in Bangladesh, Cambodia (Better Factories Cambodia), Indonesia, Pakistan and Vietnam. These programmes include assessments, training, advocacy and research in order to change policies, attitudes and behaviour.

We have partnered with several organisations including the International Organization for Migration, the Mekong Club and the Centre for Child Rights and Business to guide us in identifying, mitigating and remediating child and forced labour in our value chain. In addition, we consult monthly with relevant local and global stakeholders, such as civil society organisations, suppliers, researchers, peer groups and unions. We assess engagement effectiveness qualitatively by evaluating how it contributes to identifying, mitigating and remediating impacts. Responsibility for overseeing the development of and ensuring engagement occurs sits with the chief sustainability officer who acts as the most senior role with oversight of the process.

As part of our sustainability commitment, all business partners must provide grievance mechanisms that allow their employees to raise concerns without fear of retaliation. For our direct business partners in the upstream value chain, we track the existence of grievance mechanisms through Facility Social Labour Module (FSLM), factory performance data and industrial relations impact assessments according to the UNGP Framework and Worker Survey. This is an annual assessment that considers FSLM, performance data, a management survey and a workers' voice survey. The purpose is to evaluate the effectiveness of grievance mechanisms in line with the UNGP framework on effective grievance mechanisms. All these, including case logs, are logged in our platform called STEP (Sustainable Tracking & Evaluation Platform) to track issues raised and to monitor if they are resolved. Read more about our process for remediating negative impacts on page 101.

**Our targets and actions**

To ensure we achieve our ambition and continue respecting human rights, we have set targets related to our key actions to manage material impacts, risks and opportunities linked to workers in the value chain. While no workers in the value chain have been directly involved in setting these targets, we have consulted with external parties such as the ILO, BetterWork, IndustriALL and IF Metall to ensure the continual improvement of our targets, calculation methods, and operational strategies.

**Targets for 2025**

- Maintain 100 percent share of Tier 1 production units that have access to established grievance handling and dispute resolution procedures

**Targets for 2028**

- Increase share of strategic Tier 1 production units with wage risk enrolled in wage management system (WMS) to 100 percent

**Targets for 2030**

- Increase number of workers trained on occupational health and safety (OHS) and gender-based violence and harassments (GBVH) to 1 million

These targets are voluntary and not required by legislation. For underlying assumptions and comment on our progress against these targets, see page 110.

**Ensuring a safe and healthy workplace**

We have set a target to train 1 million workers on occupational health and safety (OHS) and gender-based violence and harassment (GBVH) by 2030, focusing on our Tier 1 and 2 suppliers. To ensure we reach these targets and fulfil our policy commitments, we plan on taking action to ensure safe and healthy workplaces where workers social and human rights are respected.

*Action: Supporting workers at our sourcing sites (Tier 4)*

In 2025 we have taken action to ensure safe and healthy workplaces free of discrimination at our Tier 4 sourcing sites. This includes strengthening our due diligence process, collaborating with multi-stakeholder initiatives (MSI) such as the Better Cotton Initiative (BCI) and Organic Cotton Accelerator (OCA) to implement decent work strategies, and supporting progress towards our material targets by increasing the use of organic cotton and cotton grown using farming practices that improve soil health and biodiversity. These activities are ongoing, with BCI membership since 2005 and OCA partnership since 2016, and several projects planned to 2030 and beyond. The expected outcome of this action is improved health and safety conditions for workers engaged in the extraction and processing of raw materials. Monitoring is supported through initiative reporting and internal due diligence reviews. Although we are actively implementing actions to ensure a safe and healthy workplace for workers in raw material extraction, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Supporting workers at our production sites (Tier 1 and 2)*

In 2025 we have taken action to ensure safe and healthy workplaces free of discrimination in production (Tier 1 and 2). This includes annual assessments of all Tier 1 and 2 production partners. In addition, we provide Tier 1 partners with training and guidelines on occupational health and safety (OHS) and gender-based violence and harassment (GBVH), and require all Tier 1 partners to establish OHS committees. These actions are ongoing, with new partners required to undergo OHS and GBVH training. The expected outcome of this action is increased awareness of workplace issues and reduced incidents of non-compliance and workplace harm. Although we are actively implementing actions to ensure a safe and healthy workplace for workers in production, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

1. To date, no cases of non-respect of the UN Guiding Principles, ILO Declaration or OECD Guidelines involving workers in the value chain have been reported in our operations or supply chain.



*Action: Supporting workers in logistics*

In 2025 we have taken action to ensure safe and healthy workplaces free of discrimination in logistics operations. This includes annual assessments, both announced and unannounced audits, of warehouses and container freight stations (CFS) in high-risk countries, supplemented by self-assessments and security audits. The scope covers all CFSs and warehouses, with implementation started in 2025 for warehouses and planned for late 2025 into 2026 for CFSs. These actions are ongoing and conducted yearly. The expected outcome is a reduction in health and safety incidents. Monitoring mechanisms include audit reports and self-assessment reviews to ensure continuous improvement and compliance with our sustainability commitment. Although we are actively implementing actions to ensure a safe and healthy workplace for workers in logistics, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

**Upholding decent working conditions**

We have set a target to achieve 100 percent coverage of our wage management system (WMS) in strategic Tier 1 production units with wage risk by 2028, to promote performance-based compensation and adequate wages. While the target focuses on programme coverage rather than impact, it builds on stakeholder consultations with ILO, Forced Labour Association (FLA), Sustainable Trade Initative (IDH), Better Work (BW), IndustriALL, and academic experts. To ensure we reach these targets and fulfil our policy commitments, we plan to implement policies and initiatives aimed at upholding decent working conditions.

*Action: Working conditions in raw material extraction (Tier 4)*

In 2025, we strengthened our due diligence processes to uphold decent working conditions at our Tier 4 supplier sites by working in closer collaboration with organisations such as the Better Cotton Initiative (BCI) and Organic Cotton Accelerator (OCA). We also support several long-term projects such as GRAP with BCI – aimed at scaling cotton farming practices that improve soil health while supporting farmer livelihoods and climate resilience. These projects place additional focus on implementing decent work strategies and have targets extending through 2030 and beyond. The expected outcome is improved working conditions for raw material workers. Monitoring is supported through initiative reporting and internal due diligence reviews. Although we are actively implementing actions to ensure a safe and healthy workplace for workers in raw material extraction, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Working conditions in production and manufacturing (Tier 1 and 2)*

In 2025, we have implemented a set of initiatives to uphold decent working conditions for workers in Tier 1 and 2. These initiatives include annual assessments, training on ethical recruitment, monitoring and addressing excessive overtime, promoting freedom of association through our global framework agreement (GFA) and ensuring there are democratically elected workplace representatives at relevant suppliers. We have also taken action to enable adequate wages by working with purchasing practices improvements, wage management systems, and digital payments.

Additional efforts include annual business partner surveys, country-level advocacy in selected countries, and partnerships with Actions, Collaboration, Transformation (ACT) to support collective bargaining and freedom of association. This year three H&M factories in Cambodia signed collective bargaining agreements (CBA) with a wage component with trade unions.

We aim to increase access to injury insurance for ready-made garment workers in Bangladesh by 2027. Progress is tracked through KPIs such as percentage of strategic Tier 1 production units with wage risk enrolled in wage management systems (WMS) and Tier 1 coverage of digital wage payment solutions. Although we are actively implementing actions to ensure a safe and healthy workplace for workers in production, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Working conditions in logistics and transports*

In 2025, we have taken action to uphold decent working conditions in logistics operations through our annual assessment, covering both announced and unannounced audits of warehouses and container freight stations (CFS) in high-risk countries. These audits have been supplemented by supplier self-assessments. We have also started rolling out ethical recruitment guidelines to mitigate forced labour risks and promoting social dialogue to ensure workers can raise concerns about working conditions. Implementation began in 2024 and will continue until 2026, with actions carried out on an ongoing, annual basis. The expected outcome of this action is to enable effective identification and remediation of negative human rights impacts.

Our aim is to be able to take proactive measures, increasing the awareness of forced labour indicators, and strengthening worker-management communication. The progress of this action is measured through the percentage of annual assessments conducted where central and regional sustainability teams are responsible for execution and follow-up. Although we are actively implementing actions to ensure a safe and healthy workplace for workers in logistics, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

**Securing access to grievance mechanisms and remedy**

We have set a target to maintain 100 percent share of Tier 1 production units that have access to established grievance handling and dispute resolution procedures. This target is informed by evidence showing that access to effective grievance mechanisms is essential for preventing and addressing human rights violations. The target was shaped through consultations with Mekong Club, SHIFT, Better Work, and UNHCHR, though it has not been externally validated.

*Action: Remedy negative impacts on value chain workers*

To respect human rights along our value chain in line with the UNGPs and OECD Guidelines, we take action to remedy negative impacts on value chain workers and ensure their access to grievance mechanisms. We require all business partners to have grievance channels, support grievance handling through national monitoring committees (NMC) in five key production countries, and provide our own third-party whistleblower channel. Our own whistleblower channel is accessible across the value chain. This ongoing action enables workers to raise concerns and receive remedy when needed. It is supported by our central, production and regional sustainability teams.

For more details on our processes to remediate negative impacts and channels for workers in the value chain to raise concerns, see page 101. Although we are actively implementing actions to remedy negative impacts on value chain workers, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

**Industry collaborations**

In support of our actions, we collaborate with partners to address material human rights impacts. We engage with a range of stakeholders to tackle systemic challenges in our supply chain, focusing on workplace safety, gender equality, adequate wages, and freedom of association. We ensure safe working conditions through membership in the International Accord, the Ready-Made Garment Sustainability Council (RSC) in Bangladesh, and the Pakistan Accord, working with global trade unions to improve fire and building safety.

Our gender equality efforts include signing the Women's Empowerment Principles and entering a three-year partnership with UN Women in Tamil Nadu, India, to address GBVH. We are active in Better Work (ILO/IFC) in Bangladesh, Pakistan, Indonesia and Vietnam as well as Better Factories Cambodia. In logistics, we support the Responsible Trucking Platform. We are members of the Center for Child Rights and Business which commits to working towards securing child rights.

Our partnership with ACT promotes responsible purchasing practices, freedom of association, and collective bargaining. Additional collaborations include a renewed GFA with IndustriALL Global Union and IF Metall, as well as Mekong Club membership. Between 2023 and 2025, H&M Group, in collaboration with Decathlon and Target, partnered with Impactt Ltd to pilot

a standardised wage management system (WMS) training programme across eleven supplier factories in India, Bangladesh and Vietnam, aiming to improve wages and wage setting practices. Based on H&M Group's WMS factory programmes and pilot results, the initiative set the foundation for a scalable industry standard that promotes systematic and worker-informed wage management across global supply chains.

**Our progress and results**
During 2025, we remained committed to strengthening working conditions and human rights due diligence. Our Tier 1 production units employed 1,128,629 workers, 59 percent of whom were women. Health and safety governance remained strong, with 95 percent (96) of units maintaining health and safety committees. Digital wage payment solutions covered 84 percent of Tier 1 workers, supporting fair wages, improved transparency and a reduced risk of wage-related violations. We observed a slight decline in workers' representation, with 36 percent (39) of Tier 1 units having trade union representation and 29 percent (33) were covered by collective bargaining agreements. Despite this overall decline, progress was achieved in Cambodia, where three factories signed brand-supported ACT-developed collective bargaining agreements during the year.

For H&M Group, it is critical that human rights issues are brought to our attention. In 2025, we identified six severe human rights issues related to workers in our value chain. Five cases have been resolved, while remediation efforts for one case are still ongoing.

We made progress toward our targets. We aim for 100 percent of strategic Tier 1 production units with wage risk to be enrolled in the wage management system by 2028, and in 2025 enrolment reached 80 percent. We continued to ensure that all Tier 1 production units maintained workers' access to grievance handling and dispute resolution procedures, maintaining 100 percent coverage. We also aim to train 1 million people on occupational health and safety (OHS) and gender-based violence and harassment (GBVH) by 2030, and in 2025 we set the target and began developing a system to measure progress toward it.

Overall, our progress in 2025 reflects continued integration of human rights considerations into supply chain management. Looking ahead to 2026, we will continue supporting workers' representation and collective bargaining agreement coverage, promoting adequate wages and safe and healthy workplaces, while ensuring effective remediation processes.

**Supply chain management**

| | 2025 | 2024 |
|---|---|---|
| Percentage of Tier 1 production units with health & safety committees | 95 | 96[1] |
| Percentage of Tier 1 production units with trade union representation | 36 | 39 |
| Percentage of Tier 1 production units with collective bargaining agreements | 29 | 33 |
| Percentage of Tier 1 production units that have access to grievance mechanisms | 100 | 100 |

1. Due to a technical issue this was wrongly stated as 100 percent in our 2024 annual and sustainability report.

**Human rights issues raised with national monitoring committees (NMC)**

| | Unresolved into 2026 (Unresolved 2024 + Raised in 2025) – Resolved 2025 | Resolved in 2025 | Total 2025 | Raised in 2025 | Unresolved from 2024 |
|---|---|---|---|---|---|
| Total number of human rights issues raised with national monitoring committees | 5 | 33 | 38 | 29 | 9 |

**Assumptions and accounting principles**
H&M Group's reporting of social data is done in accordance with the requirements as set out in ESRS – see 'Basis for preparation of the sustainability statement' and 'Disclosures in relation to specific circumstances' on page 63 for more information.

**Supply chain management – Health and safety committees**
Covers Tier 1 units with occupational health and safety (OHS) committees verified via Facility Social & Labor Module (FSLM) assessments. Data is sourced through FSLM. No estimates are applied. The methodology aligns with ILO principles on workplace health and safety.

**Supply chain management – Trade union representation**
Covers Tier 1 units with registered trade unions. Data is sourced from verified assessments and reflects local legal context. Where trade unions are not legally permitted, alternative representation is not counted. Data is sourced through FSLM. No estimates are applied. The methodology aligns with ILO principles on freedom of association.

**Supply chain management – Collective bargaining agreements**
Covers Tier 1 units with legally binding collective bargaining agreements (CBA). Data is sourced from verified assessments and formal documentation collected through FSLM. No estimates are applied.

**Human rights issues raised with NMCs**
Cover all substantiated human rights issues raised with national monitoring committees (NMC) in Tier 1 units. Cases are classified as raised, resolved or unresolved, based on documented status. Data is sourced from our internal compliance platform and reviewed by regional sustainability teams. No estimates are applied.

**Total number and categories of workers**
Covers total headcount and gender split in Tier 1 units. Data is sourced from supplier declarations and validated through internal controls and periodic third-party checks. Where year-end data is unavailable, the closest reliable period is used.

**Wage management systems**
Covers strategic Tier 1 units with wage risk enrolled in wage management system (WMS) programmes. Wage risk is assessed by comparing supplier average gross wages for standard working hours (excluding overtime premiums)to independent region-specific living wage estimates. Data is sourced from supplier reporting and verified through third-party and internal reviews. No estimates are applied. The assessment is based on data provided by WageIndicator Foundation, which is grounded in the Anker methodology and align with ILO principles for estimating living wages.

**Access to grievance mechanisms**
Covers Tier 1 units with grievance mechanisms meeting minimum criteria. A mechanism qualifies when it includes confidentiality, escalation, and steps towards remediation. Data is verified through independent assessments and reviewed annually and collected through FSLM. No estimates are applied. The methodology aligns with UN Guiding Principles on Business and Human Rights.



# Affected communities

**Our ambition, steering and strategy**
We consider the views and interests of people living in affected communities when developing our strategy to ensure we continue respecting their human rights and land rights. We define affected communities as local groups of people living in or near areas that are or could be affected, directly or indirectly, by our value chain activities. This includes areas where indigenous peoples are located. Our ambition is to contribute to their empowerment and the promotion of business practices that support local communities and their development. To achieve this, we primarily aim to drive initiatives that focus on preventing or mitigating potential and actual negative impacts on people living in affected communities. As we depend on both the land and people of these communities, particularly for the production of raw materials, our key focus is to build meaningful relationships with people living in affected communities to ensure they are heard through appropriate channels. We continuously adapt our business model and strategy to meet the material matters of the communities where we operate and to reduce the risks to our business related to land rights violations. Our actions within this area are closely connected to our efforts to reduce our dependence on critical and finite resources and limiting pollution and land degradation. The purpose of these efforts is to reduce negative impacts on both people and the environment, while improving the resilience of our business model by reducing our risk exposure.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Land use, land rights and livelihoods** | | |
| We acknowledge that many activities in our value chain, such as the extraction and processing of raw materials, can affect local communities. These activities can lead to land conversion with consequences for residents' livelihoods, as well as to force displacement. | To address this matter we engage in multi-stakeholder initiatives to uphold indigenous peoples and community land rights, including free prior informed consent (FPIC) principles. Our strengthened human rights, environmental, and sustainability policies further reinforce our commitment to respecting customary land tenure and enhancing community wellbeing. | H&M Group's human rights policy, environmental policy and sustainability commitment |
| **Community access to a clean and healthy environment** | | |
| Activities in our value chain, such as raw material extraction, manufacturing, and waste management, can impact local ecosystems and the surrounding environment, affecting the quality of air and water. This may lead to limited access to safe drinking water, and healthy and sanitary conditions for people living in affected communities. | To address this matter we focus on strengthening our policies and processes. This includes the development of a community complaint mechanism, strict wastewater standards for suppliers via ZDHC compliance, and mandatory effluent treatment plants for wet processing supplier units, and collaboration with WWF to support river basin water quality improvements. | H&M Group's human rights policy, environmental policy and sustainability commitment |
| **Risk of non-compliance with regulations and violations of land rights in the affected communities** | | |
| There is a risk of violations of land rights in our value chain, especially in regions where raw materials such as cotton and wool are sourced where land acquisition practices may overlook or disregard the rights of local communities. This can expose H&M Group to legal and reputational risks, operational disruptions, and additional costs. | To reduce this risk, we plan and execute shifts in our material basket and strengthen the due diligence and land rights requirements of certificates for our materials with a focus on high-risk regions. | H&M Group's responsible business conduct policy, human rights policy and sustainability commitment |

**The identification and assessment of material matters**
Our process for identifying and assessing impacts, risks and opportunities related to people living in affected communities is grounded in our due diligence process and salient human rights assessments. Material negative impacts on affected communities within our value chain may be widespread, appearing in diverse locations, regions, and community contexts. These procedures help us understand both actual and potential impacts linked to activities along our value chain, enabling informed strategic business decisions.

We pay particular attention to the rights and perspectives of people living in or near communities affected by raw material extraction and processing, especially in regions where land is used for farming input goods such as cotton and wool. These communities may face specific challenges related to land use, human rights, and environmental degradation. Activities in our upstream value chain may degrade air and water quality or lead to loss of biodiversity due to the conversion of natural ecosystems into agricultural land. Environmental degradation may also be caused by the release of chemicals into wastewater from manufacturing sites in our upstream value chain. We also acknowledge that people living in or near sites in our downstream value chain may be particularity vulnerable or at risk of environmental degradation. Groups of people located near waste disposal sites may be especially impacted when hazardous chemicals or wastewater are not properly managed or treated.

Given the complexity of our global value chain, not all materially impacted communities fall within the scope of our actions. We focus our efforts primarily on communities near supplier sites where risks are greatest due to the nature of the activities. This includes activities such as the use and management of chemicals in Tier 1 and 2 of our supply chain, as well as the use of land to extract raw materials in Tier 3 and 4. Inadequate procedures or improper handling can have serious consequences for people living in affected communities near these supplier sites.

Our business model relies on the efficient operation of supplier sites involved in the production and processing of raw materials into final products. Therefore, suppliers are carefully selected to ensure we respect human rights, and to ensure we avoid contributing to environmental degradation that could compromise community access to a clean and healthy environment. Managing financial risks connected to our dependence on affected communities and land use is also a key part of our sustainability strategy. These issues directly influence our strategic priorities and business decisions, including what materials we choose and the services we offer. This is also related to our wider strategy to find ways to decouple our growth from the use of critical and finite resources such as land, freshwater and virgin materials.

**Policies related to affected communities**
To manage matters related to affected communities, we are guided by our human rights policy and sustainability commitment. These policies commit us to respecting land rights, protecting access to natural resources and ensuring that operations do not contribute to ecosystem degradation or undermine community livelihoods. Where indigenous peoples may be

affected, we are committed to meaningful consultation and seek free, prior and informed consent (FPIC). We also refer to UNDRIP and ILO Convention 169 to safeguard the rights of indigenous peoples. Community engagement is central to our due diligence, supported by grievance mechanisms, including anonymous channels, and a commitment to enabling remedy and protecting human rights defenders.[1] Read more about our policies and commitments on page 120.

**Process for engagement and remediation**
We are currently in the process of establishing a structured collaboration with a credible proxy organisation, such as WaterAid, which has demonstrated deep insight into matters that are of importance for affected communities. This initiative reflects our broader commitment to ensuring that community voices meaningfully inform our decisions and activities related to managing actual and potential impacts. Once operational, the mechanism will facilitate regular and informed engagement with affected communities through the proxy, ensuring that their perspectives are systematically considered in impact assessments and mitigation strategies. It will also create a structured feedback loop that integrates community concerns into our decision-making processes, enhancing the relevance and effectiveness of our sustainability efforts.

Responsibility for overseeing the development, implementation, and continuous improvement of this engagement mechanism lies with the chief sustainability officer. We aim to assess the effectiveness of this mechanism once it is fully established and operational, focusing on the extent to which community input is reflected in our impact assessments and mitigation strategies, as well as the responsiveness and transparency of our feedback processes. Read more about our process for remediating negative impacts on page 101.

**Our targets and actions**
For 2025, we have not set any time-bound and outcome-oriented targets related to affected communities. Instead, we focus our efforts on gathering insights from people living in affected communities to ensure we take action to incorporate their views and interests into our strategies. These efforts include strengthening our due diligence process and stakeholder engagement process in alignment with international standards.

**Respecting the rights of people living in affected communities**
To ensure we continue to respect the rights of people living in affected communities, we have taken action to secure their access to a clean and healthy environment and to respect their land rights and livelihoods. Although we have not set any targets directly linked to the rights of people living in affected communities, our pollution-related targets are indirectly linked to securing access to a clean and healthy environment for people living in affected communities. Our resource-related targets are also linked to securing and safeguarding the land rights and livelihoods of farmers in our supply chain. In addition, we have set requirements on our suppliers to manage water in a responsible way. To ensure we reach these targets and fulfil our policy commitments, we plan to shift towards using recycled and sustainably sourced materials for our products. In 2026, we also plan to develop a pilot project to establish a community complaint mechanism in collaboration with WaterAid. This mechanism aims to empower rightsholders in affected communities to voice their concerns.

*Action: Respecting land rights and livelihoods*
During 2025, we have taken action to support people living in communities affected by raw material extraction near our Tier 4 supplier sites. This include partnering with multi-stakeholder initiatives (MSI) such as the Better Cotton Initiative (BCI), Responsible Wool Standard (RWS), and Forest Stewardship Council (FSC), all of which uphold strong standards for community and indigenous peoples rights.

BCI requires farmers to assess natural values before land is converted to cotton cultivation in order to protect any areas with high conservation value (HCV), by using responsible agricultural practices that safeguard local ecosystems and community rights. The HCV assessments ensure land-use changes involve local input and safeguard high-value areas, helping prevent land conflicts while promoting long-term environmental, social and economic benefits for cotton growers.

In addition, RWS requires land management to respect indigenous peoples and community rights and mandates free, prior and informed consent (FPIC), and similarly FSC enforces recognition of legal and customary rights and requires FPIC for activities on indigenous peoples' land. By embedding these principles in our policies and partnerships, we aim to prevent rights violations and promote responsible land use. Although we are actively implementing actions to respect land rights and livelihoods, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Securing access to clean water and a healthy environment*
To further support affected communities and their access to clean water and a healthy environment, we require all our Tier 1 and 2 suppliers to comply with national regulations as well as ZDHC standards for wastewater treatment and discharge water quality. Additionally, we require all supplier units operating wet processes to have a fully functional effluent treatment plant (ETP) in place. During 2025 we have also strengthened our policy commitments to ensure we work towards ensuring the access to a clean and healthy environment for people living in affected communities. We also deepened our commitment to water stewardship by working with WWF to improve water quality at the river basin level. As these efforts mature and data availability improves, we aim to define measurable outcomes in future reporting cycles. Although we are actively implementing actions to secure access to clean water and a healthy environment, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

**Our progress and results**
During 2025, we strengthened our efforts to reduce pressure on land and natural resources by increasing the use of recycled and sustainably sourced materials, with a particular focus on Tier 4. Through partnerships with the Better Cotton Initiative (BCI), Responsible Wool Standard (RWS), and Forest Stewardship Council (FSC), we continued to uphold strong standards for community and indigenous peoples' rights. These standards include high conservation value (HCV) assessments and free, prior and informed consent (FPIC), helping ensure that land-use changes involve local input, protect ecosystems and respect customary rights.

We also reinforced our policy commitments to support access to a clean and healthy environment for people living in affected communities. This included advancing our water stewardship collaboration with WWF to enhance water quality at the river basin level. In parallel, we prepared the launch of a pilot community complaint mechanism with WaterAid to strengthen how rightsholders in affected communities can raise concerns, ideally through trusted community representatives.

Across these actions, we continued integrating human rights and environmental stewardship into our operations, working to ensure that people living in affected communities have both a meaningful voice and sustained access to a safe and healthy environment.

1. To date, no cases of non-respect of the UN Guiding Principles, ILO Declaration or OECD Guidelines involving affected communities have been reported in our operations or supply chain.



# Consumers and end-users

**Our ambition, steering and strategy**
Our customers views and interests are central to the development of our strategy and business model to ensure we deliver fashion and quality at the best price in a sustainable way. Our ambition is to protect the health, safety and wellbeing of our customers by offering qualitative products and making fashion an everyday option for all. Our customers include women, men, youth, and children of all ages, that are consumers and users of apparel and lifestyle products. We are for everyone, but everyone is unique. Our brands offer a broad range of styles for different personalities, preferences, body types, ages, gender identities, occasions and cultures. We continuously adapt our strategy to ensure that salient human rights issues are addressed and prioritised actions are integrated into relevant business decisions. Across all brands, we focus on creating an inspiring shopping experience that meets our customers' needs and expectations. It is important for us to create an efficient and demand-driven value chain that enables us to quickly adjust volumes based on changes in consumer demand and preferences.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Customer data privacy and protection** | | |
| We acknowledge the importance of safeguarding our customers' personal information. As a global company, we handle significant volumes of personal data, including payment details, contact information, and user preferences, which exposes customers to potential data privacy risks. Unauthorised access, misuse or data breaches could result in identity theft, financial fraud, and a loss of consumer trust. | To address this matter, we safeguard customer data through a dedicated data privacy policy, structured governance, and privacy-by-design principles. Our data privacy framework ensures encryption, regular reviews, and employee training to manage risks and uphold long-term compliance with global privacy regulations. | H&M Group's data privacy policy |
| **Responsible marketing and social inclusion of consumers** | | |
| We acknowledge the influence of our marketing practices on consumer perceptions, behaviours, and societal norms. Irresponsible or misleading marketing can contribute to the reinforcement of harmful stereotypes, unrealistic expectations, and social exclusion, particularly for marginalised groups, that may negatively impact consumers' sense of inclusion. | To address this matter, we ensure products are culturally appropriate, legally compliant, and inclusive – minimising harm and respecting societal norms, according to our ethical product design policy. | H&M Group's ethical product design policy |
| **Product safety and consumer health** | | |
| We acknowledge that product safety is paramount to the health and wellbeing of our customers. The materials used in our products, as well as the chemicals involved in their manufacturing and finishing processes, can pose a risk to consumer health if not properly managed. | To address this matter, we enforce product safety through a dedicated product compliance policy and governance model. This includes legal monitoring, training, inspections, and clear consequences for breaches. Strengthening risk assessment is a key focus, with simplified processes and enhanced competence across teams and suppliers, to ensure long-term compliance and customer safety. | H&M Group's product compliance policy |
| **Risk of inadequate information security and protection of customer data** | | |
| There is a risk of non-compliance with data privacy laws across global operations such as the General Data Protection Regulation (GDPR) in the EU, due to failure to implement effective privacy management of customer data. Non-compliance with these regulations could lead to legal liabilities, including hefty fines, reputational damage, and operational disruptions. | To reduce this risk, we are implementing policies, procedures, guidelines and controls for handling, storing and processing personal customer data. | H&M Group's data privacy policy |

**The identification and assessment of material matters**
Our process to identify and assess impacts, risks and opportunities related to consumers and users of apparel and lifestyle products that originate from our business activities or may affect our business model, is based on our due diligence process, our salient human rights assessment, brand perception surveys and customer feedback. Consumer related impacts are generally linked to individual incidents. The engagement with our customers helps us to understand the actual and potential impacts on our consumers, which are mostly connected to the safety and inclusion of our products and marketing practices.

The outcome of these processes informs and guides strategic business decisions such as safe design, labelling, information for vulnerable customer groups such as babies and children, and inclusive product design.

Our actions relating to the management of impacts on our consumers and end-users are mostly linked to our direct customers, due to the complexity and scope of our downstream value chain.

As a global fashion company, we engage with millions of people who are users of our products and services, or who are in contact with our brands and marketing practices. Our business activities may affect users of our products and services differently, depending on who they are and where they are.

Given that our business model is customer-focused and depends on our ability to enhance the customer experience, addressing our customers' needs is central to the continued success of our business. In doing so, we pay particular attention to vulnerable groups such as children and babies, and apply heightened sensitivity when addressing issues like product safety. The risks relating to customer health and safety issues are particularly important to

consider when designing and marketing products for babies and children. However, we also recognise that products not specifically designed for children may still be used by them. It is therefore of the utmost importance to prioritise health and safety considerations in the design of all of our products. This includes taking actions to ensure safe design of for example cords and small parts, and ensuring correct labelling and accessible information about our products that are marketed towards babies and children. It also includes ensuring that products aimed towards younger customers are marketed in a responsible way, considering their health, safety and wellbeing.

**Policies related to consumers and end-users**

To manage matters related to consumers and end-users, we are guided by our product compliance, ethical product design and data privacy policies. The product compliance policy commits us to ensuring customer safety, adhering to legislation and maintaining a positive brand reputation. The ethical product design policy commits us to recognising, respecting and representing the diversity among our customers and colleagues. The data privacy policy defines our commitment to respect data privacy rights and sets binding rules for handling personal data in line with legal requirements. These policies are supported by procedures and training that translate legal and regulatory requirements into daily operations.

The product compliance policy ensures product safety and quality, and covers children's safety, chemicals, labelling and marketing claims. The ethical product design policy guides inclusive, respectful product development and campaigns, helping to prevent stereotypes and promote social inclusion. The data privacy policy sets binding rules for handling personal data in line with international legislation, supported by mandatory training to strengthen privacy awareness. These policies ensure respect for consumer rights, safeguard transparent information, and provide mechanisms to mitigate risks.

The product compliance policy was introduced in the reporting year.[1] No other significant changes were made. Read more about our policies and commitments on page 120.

**Process for engagement and remediation**

As part of our due diligence process, H&M Group engages with our customers and their representatives. In addition, we continuously incorporate feedback from our customer service and Speak Up channel to act according to set processes. Insights gathered from these interactions help us tailor our privacy practices to better meet the needs and expectations of our customers and the users of our products.

We welcome individuals reaching out with their concerns or feedback. We provide easily accessible contact information for our data protection officer (DPO) on our websites, as well as to our dedicated customer service team responsible for managing data subject rights.

We assess engagement effectiveness by reviewing the reach of our Speak Up channel and customer service, considering factors such as the quality of information, number of cases reported and representation across different countries. Oversight of these processes lies with our head of customer service, who collaborate across markets to ensure customers' perspectives are integrated into decision-making. Read more about our process for remediating negative impacts on page 101.

**Our targets and actions**

For 2025, we have not set any time-bound and outcome-oriented targets related to consumers and end-users. Instead, we focus our efforts on gathering insights from our direct customers to ensure we take action to manage their views and interests. These efforts include strengthening our due diligence process and stakeholder engagement process in alignment with international standards.

### Protecting the health, safety and wellbeing of our customers

To ensure we deliver on our business idea and continue liberating fashion for the many, we have taken action to protect the safety and privacy of our customers while continuing to respect their human rights. This includes actions to ensure responsible marketing practices, product safety, and customer data privacy.

*Action: Ensuring responsible marketing practices*

We take a deliberate approach from product development to marketing across all brands, functions and regions. Since 2019, our ethical product design policy has guided efforts to ensure diverse representation, promote healthy lifestyles, and respect cultural norms and local legislation. This includes team training, ethical research guidelines, and tools such as a cultural restrictions database and a naming tool.

Supported by dedicated resources, our long-term commitment strengthens accountability, enhances cultural sensitivity, and builds trust through continuous improvement. These actions reflect our broader focus on inclusivity, harm reduction, and stakeholder confidence. Although we are actively implementing actions to ensure responsible marketing practices, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Ensuring product safety*

To ensure that all consumer products remain safe and compliant, we strengthened our long-standing product compliance work in 2025 by launching a formal product compliance policy, supported by a robust governance model implemented across relevant functions and business units. This model strengthens the regulatory monitoring, structured processes and requirements, and product risk assessments, with a particular focus on health and product safety, product testing, supplier inspections, and consequence management.

Training is provided to both internal teams and suppliers to build competence, clarify responsibilities, and ensure policy alignment. This work is led by the product compliance department in close collaboration with the production organisation. As a long-term commitment, the policy is subject to continuous improvement and ongoing monitoring. In 2026, we are placing particular emphasis on strengthening our risk assessment processes. Expected outcomes include increased employee awareness, clearly defined functional ownership, and strengthened stakeholder trust. Although we are actively implementing actions to ensure product safety, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

*Action: Ensuring customer data privacy*

To safeguard customer rights and ensure compliance with global privacy regulations, we have implemented comprehensive data protection actions across all our business units and geographic regions. These actions include the use of encryption technologies, regular privacy assessments to identify and address vulnerabilities, and the integration of a structured data privacy framework into daily operations.

In 2025, our data protection actions have been coordinated by our data privacy community, which has supported continuous employee training focused on privacy best practices and regulatory compliance. These actions represent a long-term commitment with ongoing monitoring and improvements. Expected outcomes include improved protection of personal data, increased employee awareness, and stronger trust among customers, regulators and other stakeholders. Implementation is supported by a dedicated budget for training, privacy reviews, and investments in technologies such as encryption, access controls, and monitoring tools. Although we are actively implementing actions to ensure customer data privacy, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.

1. To date, no cases of non-respect of the UN Guiding Principles, ILO Declaration or OECD Guidelines involving consumers and end-users have been reported. No severe human rights issues and incidents connected to consumers and end-users have been reported.



**Our progress and results**

During 2025, the number of substantiated complaints concerning breaches of customer privacy and data losses was 6 (6). Two of these cases were closed during the year with no further action required by the supervisory authorities. The remaining cases are still open and are being managed in coordination with the relevant supervisory authority.

We continued strengthening our approach to responsible practices for consumers and end-users by advancing due diligence and stakeholder engagement. To strengthen product safety, we launched a formal product compliance policy which strengthens regulatory monitoring, product risk assessments, product testing, supplier inspections, and targeted training. We also reinforced customer data protection by implementing encryption technologies, carrying out regular privacy assessments and integrating a structured data privacy framework into daily operations, supported by continuous employee training focused on privacy and regulatory compliance.

**Assumptions and accounting principles**

H&M Group's reporting of customer privacy data is done in accordance with the requirements as set out in ESRS – see 'Basis for preparation of the sustainability statement' and 'Disclosures in relation to specific circumstances' on page 63 for more information.

### Customer data privacy

Covers substantiated complaints of customer privacy breaches and data loss. Complaints include incidents where personal data was accessed, disclosed, or lost in violation of applicable data protection laws or internal policies. The metric reflects the number of confirmed cases following internal investigation and validation. Data is sourced from the H&M group's incident management and data protection reporting systems and reviewed by the data privacy team. No estimates are applied.

# Governance

To be a successful company, we believe we must act responsibly, which means sharing clear, accurate and relevant information about our business practices with all our stakeholders. Through good procurement practices and close collaboration with our business partners, we want to work to drive change within our industry and ensure that we deliver on our business idea.



# Business conduct

**Our ambition, steering and strategy**
It is of utmost importance to us to always act ethically and responsibly – from how we collaborate with our suppliers to how we interact with our customers. We have established a culture of innovation and entrepreneurship, with an ability to scale great ideas to the benefit of millions of people. Our values are at the centre of our culture, to ensure we act ethically and with integrity, to do what matters most to our customers and our future. We aim to empower our customers around the world to express themselves through fashion and design, while considering environmental, social and ethical factors related to activities along our value chain. To achieve this, we have embedded the principles of responsible business conduct in our overall strategy, which we apply through clear policies and procedures. This starts with the board of directors, who has the utmost responsibility to ensure ethical and responsible business conduct within all our brands and operations. More information about the role and expertise of the board of directors and the executive management team relating to business conduct matters is disclosed on page 63.

**Management of material sustainability matters**

| Description of matter | Actions and initiatives | Related policies |
|---|---|---|
| **Corporate culture and ethical business conduct** | | |
| We have an impact on our employees and partners through a strong corporate culture where we make it a rule to always act with integrity. By prioritising ethical business behaviour, we take our social and environmental responsibility seriously, fostering a culture of integrity and collective action within the textile and fashion industry. | To address this matter, we foster an inclusive corporate culture grounded in respect for human rights and ethical business behaviour. Guided by the document 'Our way' and our code of ethics, we empower employees to act responsibly and contribute to a safe and inclusive workplace. | H&M Group's code of ethics and 'Our way' |
| **Protection of whistleblowers** | | |
| We provide a secure and externally available Speak Up channel, which helps inform us of potential violations of our policies or national laws. All reports are investigated, and we take appropriate action to ensure the protection of all whistleblowers. | To address this matter, we protect whistleblowers through our Speak Up channel, enabling safe, confidential and anonymous reporting of misconduct. Open to employees and external parties, this mechanism supports a culture of integrity, with zero tolerance of retaliation. | H&M Group's code of ethics |
| **Animal welfare** | | |
| Our use of materials of animal origin, such as wool, cashmere and leather, affects animals and animal welfare. The use of these materials entails both environmental and animal welfare-related challenges that can have a negative impact. | To address this matter, we uphold strict animal welfare standards by prohibiting fur, exotic skins, and materials from endangered species, while promoting recycled animal fibres and alternatives. All suppliers must comply with our animal welfare policy, ensuring no animals are harmed in the production of our goods or beauty products. | H&M Group's animal welfare policy |
| **Supplier and business relationships** | | |
| As a global company, we have an impact on many suppliers across the world, and we are committed to developing purchasing practices that ensure fair and ethical business conduct. Our policies and procedures set high standards for all our suppliers and business partners, contributing to greater accountability and transparency within our industry. | To address this matter, we build supplier relationships by requiring all partners to sign our sustainability commitment and code of ethics for business partners. We promote fair treatment, internal reporting mechanisms, and access to our Speak Up channel, ensuring concerns can be raised safely and in line with due diligence standards. | H&M Group's sustainability commitment and code of ethics for business partners |
| **Risk of non-compliance and poor management of supplier relationships** | | |
| There is a risk of fines for not adequately disclosing due diligence processes in alignment with legal requirements such as the Corporate Sustainability Due Diligence Directive (CSDDD). Failure to adequately manage supplier relationships and ensure compliance with ethical standards could result in fines, civil damage claims or reputational damage. | To reduce this risk, we are establishing and implementing policies, procedures and guidelines for effective due diligence across sustainability, production and logistics, supported by controls and disclosures in response to authority requests and in our annual reporting. | H&M Group's sustainability commitment and code of ethics |
| **Risk of corruption and unethical business conduct** | | |
| There is a risk of unethical business behaviour within our operations and supply chain due to corruption and bribery cases, including bribes to bypass quality controls and biased vendor selection, leading to fines, criminal penalties and potential civil damage claims as well as reputational damage. | To reduce this risk, we are implementing policies, procedures, guidelines and controls for responsible business conduct and ethics across the business, with a focus on high-risk areas and locations. | H&M Group's sustainability commitment and code of ethics |

**The identification and assessment of material matters**
We take a risk-based approach to identify, assess and address material impacts, risks and opportunities related to business conduct matters within our own operations and along our value chain. This approach is embedded within our due diligence process, with a particular focus on how we manage relationships with our suppliers. As part of our supplier selection and onboarding process, we conduct risk assessments based on a set of criteria, including the country of operation, type of activity, sector, and the structure of the transaction, such as the use of subcontractors or intermediaries.

In addition to initial assessments, we engage in ongoing monitoring to ensure continued compliance with our standards and to identify emerging risks. We also prioritise transparent communication and corrective action plans when issues are identified. Our due diligence process includes regular reviews, audits, and supplier self-assessments, allowing us to maintain oversight and drive continuous improvement. We believe that active engagement with suppliers and other stakeholders is essential to fostering responsible business conduct and mitigating potential adverse impacts throughout our value chain. In addition, we are committed to engaging with our workforce, customers and suppliers in a way that builds trust. We believe that business relationships based on shared risks and rewards, have the potential to turn into successful strategic partnerships.

By taking a proactive and data-driven approach to due diligence, we aim to ensure that our operations and processes reflect our commitment to responsible business conduct. We continually evaluate the use of third-party risk management tools that could automate our identification of risks related to business conduct matters. These efforts are intended to strengthen our ability to identify systemic risks, implement timely interventions, and support our partners in meeting our standards.

**Policies related to business conduct matters and our corporate culture**
Fundamental respect for the individual and human rights is at the heart of our business and corporate culture. We actively work to cultivate an inclusive corporate culture through the document our way, which guides everyone working at H&M Group. 'Our way' integrates our values, policies, and guidelines to ensure responsible and transparent business practices. All employees are also required to comply with our code of ethics, which include a zero tolerance for any form of corruption or bribery. All business carried out with or on behalf of H&M Group should always be conducted in accordance with our code of ethics, as well as any applicable laws and regulations in the country of business. Our code of ethics applies to all business dealings in all countries where we operate and is consistent with the United Nations convention against corruption. Our employees receive training on our code of ethics as part of their onboarding process.

We also require all our suppliers and business partners to sign our sustainability commitment and code of ethics for business partners, which include commitments to ethical conduct, including fair and respectful treatment of all employees. We expect our business partners to establish internal mechanisms for reporting misconduct, ensuring that employees can raise concerns without fear of retaliation. If a concern cannot be addressed within the supplier's organisation, individuals may report concerns through H&M Group's Speak Up channel. This approach is aligned with the OECD Due Diligence Guidance for Responsible Business Conduct and applicable local legislation. All suppliers involved in the production or processing of animal-derived materials or beauty products must also comply with our animal welfare policy.

H&M Group is subject to legal requirements for whistleblowing. Any concerns or potential violations of our policies or relevant laws can be reported through our externally available Speak Up channel. Information about the whistleblowing process and our Speak Up channel is included in the annual mandatory code of ethics training.

We take all allegations of misconduct or violations of our policies seriously. This may include cases of discrimination, harassment, theft, fraud, corruption, violations of ethical guidelines, or breaches of applicable laws. All cases are investigated confidentially, and appropriate actions are taken when misconduct is confirmed. We strive to ensure that individuals feel safe and supported when raising concerns through our Speak Up channel. Concerns may be made anonymously, except where restricted by local laws, and we do not tolerate retaliation against anyone who reports in good faith. Read more about our policies and commitments on page 120.

**Our targets and actions**
We have not set any time-bound and outcome-oriented targets relating to business conduct for 2025. Instead, we focus our efforts on fostering an inclusive corporate culture that reflects our values and supports ethical and responsible business conduct across all levels of the organisation. This includes efforts to manage relationships with our suppliers and any risks associated with corruption and bribery through the implementation of clear policies and procedures.

**Management of relationships with suppliers**
We continuously develop purchasing practices to support positive development in the textile and fashion industry. These include capacity planning, respecting payment terms and ensuring payroll is a non-negotiable cost. Our teams involved in the purchasing of input goods and materials are trained on the principles of responsible business conduct, and we adhere to fair exit terms. Social and environmental minimum requirements are communicated early in supplier evaluations and must be met before onboarding. These requirements are part of our sustainability commitment.

We take a risk-based approach to monitoring supplier compliance, using tailored evaluation methods based on the nature of goods and services. For suppliers of commercial goods, we apply risk-based audits and our sustainable impact partnership programme (SIPP) to ensure compliance and alignment with our standards. For suppliers of non-commercial goods and services, we regularly monitor them through SEDEX. Our approach supports transparency, accountability, and long-term supplier relationships.

**Preventing and detecting incidents of corruption and bribery**
Our ethics and anti-corruption training programme serves as the primary tool for preventing and mitigating any risks related to corruption and bribery. As part of our onboarding process, all employees at H&M Group are required to sign our code of ethics. Employees that are exposed are required to complete an anti-corruption training. This training provides guidance on how to apply the code of ethics in everyday work situations. Employees can access our code of ethics and our Speak Up channel through the H&M group ethics portal, and awareness programmes for our Speak Up channel are held throughout the year. We use a risk-based approach to assess exposure to corruption and bribery. Risk levels are determined by role, function and region, and we concentrate our mitigation efforts where exposure is greatest. We assess and investigate all reported code of ethics cases internally, tracking the number of violations annually.

*Action: Addressing corruption and bribery cases*
In 2025, we continued to monitor and address any potential breaches of our anti-corruption and anti-bribery standards through established internal procedures. All reported cases relating to violations of our code of ethics, including those involving corruption or bribery, are assessed and investigated internally. Investigations are conducted in accordance with our internal compliance protocols. Violations may result in disciplinary actions, including termination of employment or business relationships.

We report the results of these investigations to the CEO, CFO, and the audit committee, as well as disclose them in our annual and sustainability report. The investigators are separate from the chain of management involved in the matter. In response to confirmed breaches, we take corrective measures to strengthen our internal control and procedures to prevent recurrence. These measures may include enhanced monitoring and targeted training programmes. Although we are actively implementing actions to address corruption and bribery cases, we do not disclose specific financial resources allocated to these actions because such costs and investments are integrated into our normal business operations and cannot be separately identified.



**Our progress and results**
During the year, we strengthened ethical business conduct by embedding clear policies and procedures, supported by mandatory code of ethics sign-off at onboarding and targeted training. 100 percent of functions-at-risk were covered by anti-corruption and anti-bribery training programmes.

There were 0 convictions for violations of anti-corruption and anti-bribery laws, and the total amount of fines imposed for such violations was 0. Additionally, 2 substantiated cases of corruption and bribery were recorded.

All reported code of ethics cases, including those related to corruption and bribery, were assessed and investigated internally in line with compliance protocols, with outcomes reported to the CEO, CFO, and the audit committee. Confirmed breaches led to corrective actions, strengthened controls, and targeted training to reduce recurrence. Prevention and detection efforts included ongoing awareness of our ethics portal and speak-up channel, and risk-based assessments by role, function, and region to focus mitigation where exposure is greatest.

| Code of ethics non-compliance | 2025 |
|---|---|
| Total reported incidents of potential non-compliance with the code of ethics (including reported corruption cases) – employees and business partners | 31 |
| Number of substantiated code of ethics cases | 8 |
| Sanctions imposed following cases of potential non-compliance with code of ethics (written warning, termination) | Employees: 7 terminations and 2 warnings<br>Business partners: 0 warnings |

**Assumptions and accounting principles**
H&M Group's reporting of business conduct data is done in accordance with the requirements as set out in ESRS – see 'Basis for preparation of the sustainability statement' and 'Disclosures in relation to specific circumstances' on page 63 for more information.

**Code of ethics non-compliance**
Covers reported code of ethics violations among employees and partners. Reports are submitted through the H&M group's whistleblowing channel Speak Up, which is accessible to employees, business partners, and third parties. Anonymous reporting is permitted, which may limit the ability to verify the source of some cases. The metric includes the total number of reported incidents and the sanctions imposed following substantiated cases. Data is sourced from the whistleblowing platform and verified case records from internal investigations. No estimates are applied.

**Anti-corruption and anti-bribery**
Covers convictions, fines, and substantiated cases of bribery and corruption. Data is sourced from litigation files and whistleblowing reports submitted through the Speak Up platform. Cases are reviewed and validated by group legal and group security before consolidation. The metric reflects actual reported and verified cases during the fiscal year. No estimates are applied. The methodology aligns with H&M Group's zero-tolerance policy on bribery and corruption.

# Our policies and commitments

To achieve our sustainability ambitions and business objectives we are committed to ensuring our employees, suppliers and business partners operate in line with our policies. Where applicable, we base our policies and commitments on international norms and recognised initiatives. Read more about our policies and commitments on our website.

**Our environmental policy**
H&M Group's environmental policy applies to all group entities, covering activities in our own operations as well as activities in our upstream and downstream value chain. It outlines our commitment to decoupling our growth from the use of critical and finite resources such as virgin materials, freshwater and land, and limiting global warming to 1.5°C. The policy is reviewed annually by the sustainability department, with implementation accountability assigned to the chief sustainability officer. The policy is informed by science, stakeholder input via our double materiality assessment, and international frameworks including the Paris Agreement, SBTi, Ellen MacArthur Foundation, Kunming-Montreal biodiversity framework, as well as leading industry standards such as AFIRM's Restricted Substances List, the ZDHC Manufacturing Restricted Substances List (MRSL), and the ZDHC Wastewater Guidelines. This policy is publicly available on our website.

**Our chemical restrictions list**
H&M Group's chemical restrictions list reflects our commitment to safeguarding the health of customers, protecting the environment and ensuring safe working conditions along our value chain. Our chemical restrictions are established to secure compliance with local and international regulations as well as leading industry standards, including AFIRM's Restricted Substances List and the ZDHC Manufacturing Restricted Substances List (MRSL). They commit us to prevent, limit and control the use of substances of concern (SOC) and substances of very high concern (SVHC), and phasing out additional potentially harmful substances. These requirements, which apply to all H&M Group products, are binding for all suppliers and partners to ensure chemical compliance. The chemical restriction list is reviewed annually. Implementation is led by the head of product offer development and support, with responsibilities defined across functions to secure compliance throughout the product lifecycle. This policy is publicly available on our website.

**Our human rights policy**
H&M Group's human rights policy applies to all group entities, covering activities in our own operations as well as activities in our upstream and downstream value chain. This policy outlines our commitment to respecting human rights. It is reviewed annually by the sustainability department. Adopted by the board of directors, implementation is delegated to senior executives reporting to the CEO, with oversight by the chief sustainability officer. The policy is grounded in the International bill of human rights and the ILO's Declaration on Fundamental Principles and Rights at Work, and references UN Conventions on the Rights of the Child and Elimination of Discrimination against Women. It aligns with the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, OECD Due Diligence Guidance for the garment and footwear sector, and children's rights and business principles. Our due diligence approach identifies, prevents, mitigates and remediates adverse impacts, focusing on salient issues such as labour rights, environmental rights, privacy, non-discrimination, children's rights, and indigenous peoples' rights. External expertise, including SHIFT, informed its development. This policy is publicly available on our website.

**Our social policies**
H&M Group's social policies are based on respect for the equal value and dignity of every individual. They apply to all employees across the H&M group and its fully owned entities globally. The social policies cover the areas of grievance, equality, inclusion, diversity, non-discrimination, no violence, no harassment, health and safety, and labour relations. These policies provide a framework for decent labour standards and safe, healthy working environments that support personal growth and authenticity. Approved by the policy approval forum, the policies align with international standards including the ILO's fundamental principles and OECD Guidelines, and reflect commitments under the European works council. External expertise, such as SHIFT, informed its development. Implementation is delegated to senior operational executives reporting to the CEO, with oversight by the chief human resources officer. This policy is publicly available on our website.

**Our code of ethics and whistleblowing mechanism**
H&M Group's code of ethics policies and whistleblowing mechanism reflect our commitment to integrity, transparency, and fair conduct across all business activities. They apply to all our employees globally and to our business partners. The policies cover zero tolerance for bribery, corruption, conflicts of interest, and misuse of assets, ensuring compliance with applicable laws. They provide a framework for ethical decision-making, supported by mandatory training, internal control, and confidential reporting channels. Our Speak Up platform enables secure, anonymous reporting by employees, suppliers and stakeholders. Approved by the policy approval forum, the policies align with international anti-corruption principles and legal frameworks, and reflect our commitment to high ethical standards across the value chain. Implementation is led by senior operational executives reporting to the CEO, with oversight by the head of group security operations. This policy is publicly available on our website.

**Our ethical product design policy**
Our ethical product design policy reflects H&M Group's commitment to creating an inclusive and respectful brand experience that represents the diversity of our customers and colleagues. Offensive or exclusionary products risk alienating individuals and damaging our reputation, so we apply an inclusive, perceptive and responsible mindset when developing products. The policy applies to all colleagues working with assortment development across all H&M Group brands. Responsibility for implementation rests with the chief product officer. The development of this policy has been informed by practical expertise from internal functions, including assortment and marketing, to ensure that inclusivity and diversity are embedded throughout our design and development processes. This policy is publicly available on our website.

**Our product compliance policy**
H&M Group's product compliance policy ensures that all consumer products meet high standards for safety, quality and regulatory compliance. It applies to colleagues involved in designing, developing, sourcing, producing, transporting, selling and marketing products across global operations. The chief product officer leads implementation of the policy, with responsibilities defined across functions to secure compliance throughout the product lifecycle. The policy covers key areas including product and children's safety, chemicals, physical properties, labelling, and consumer-facing claims. It aligns with international and market-specific legislation such as GPSR, REACH, CLP, and the textile labelling regulation. We also collaborate with external stakeholders including AFIRM, AFQA and SIS to support standardisation and continuous improvement. This policy is publicly available on our website.

**Our data privacy policy**
H&M Group's data privacy policy sets binding rules for the handling of personal data to ensure the protection of privacy rights in line with legal requirements. It defines permissible processing, assigns accountability, and is guided by the principles of lawfulness, transparency, and data minimisation. The policy specifies that personal data must only be used for legitimate purposes, deleted or anonymised when no longer needed, and safeguarded through robust security measures, with clear consequences for non-compliance. The policy applies to all employees across all business units and geographies. Oversight lies with the group data protection officer, who reports to the executive leadership and the audit committee of the board. It is aligned with the EU General Data Protection Regulation (GDPR), other applicable privacy laws, and relevant industry standards and guidance. The policy's creation was informed by input from internal stakeholders, including legal, IT, HR and customer service, as well as consumer expectations and regulatory obligations. This policy is available to all colleagues via the company intranet.



**Our responsible business conduct policy**
H&M Group's responsible business conduct policy applies along our value chain and aims to prevent, mitigate and remediate adverse impacts while addressing risks and opportunities. It establishes a risk-based due diligence process informed by internal and external stakeholders, prioritising salient human rights and significant environmental impacts. Implementation is through our sustainability commitment, requiring all business partners to meet supply chain due diligence standards, including grievance and remediation systems, and to cascade these requirements to their suppliers. The policy aligns with international and national frameworks, including UNGPs, OECD Guidelines, and sector-specific OECD guidance. Approved by the policy approval forum and overseen by the sustainability department, accountability rests with the chief sustainability officer. This policy is publicly available on our website.

**Our sustainability commitment**
H&M Group's sustainability commitment sets mandatory requirements for all business partners across the value chain, covering human rights, labour rights, environmental standards, and business ethics. It is regularly updated to reflect global challenges, and partners must adhere to all updates. The commitment is guided by international standards including the UDHR, ILO declaration, UNGPs, OECD Guidelines, the Paris Agreement, GHG Protocol, and SBTi. It aims to ensure fair jobs, equal treatment, and protection of vulnerable groups, while driving environmental footprint reduction and supporting circular practices. It encourages open dialogue and provides grievance channels for workers, including anonymous reporting. Oversight lies with the chief sustainability officer, and progress is monitored through our due diligence process. This policy is publicly available on our website.

**Our animal welfare policy**
Our animal welfare policy applies to all H&M Group entities, covering activities in our own operations as well as activities in our upstream and downstream value chain. It outlines our commitment to ensure that no animals are harmed in the making of our products. The policy is implemented through a risk-based approach, with particular focus on raw material sourcing. We are committed to sourcing all animal-derived materials, such as wool, leather and down, only from farms with good animal welfare practices. We have long prohibited the use of fur, exotic skins, and materials from endangered species, and none of our beauty products are tested on animals. To support our policy commitment, we promote credible standards and certifications, collaborate with industry peers and animal welfare organisations, and advocate for strengthened animal welfare legislation worldwide. The policy is reviewed annually, with input from internal and external stakeholders to ensure its continued relevance. Responsibility for implementation rests with the sustainability management team within H&M Group. This policy is publicly available on our website.

# Additional information

This section of the statement includes the auditor's report and a list of all the disclosure requirements complied with in preparing the sustainability statement following the outcome of our double materiality analysis. For more information and updates about H&M Group's progress regarding sustainability-related matters, visit our website hmgroup.com/sustainability.



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1. We have utilised phase-in rules for applicable parts of these disclosure requirements.



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## List of datapoints in cross-cutting and topical standards that derive from other EU legislation

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| ESRS 2 GOV-1<br>Board's gender diversity paragraph 21 (d) | ● | | ● | | 63 |
| ESRS 2 GOV-1<br>Percentage of board members who are independent paragraph 21 (e) | | | ● | | 63 |
| ESRS 2 GOV-4<br>Statement on due diligence paragraph 30 | ● | | | | 65 |
| ESRS 2 SBM-1<br>Involvement in activities related to fossil fuel activities paragraph 40 (d) i | ● | ● | ● | | N/A |
| ESRS 2 SBM-1<br>Involvement in activities related to chemical production paragraph 40 (d) ii | ● | | ● | | N/A |
| ESRS 2 SBM-1<br>Involvement in activities related to controversial weapons paragraph 40 (d) iii | ● | | ● | | N/A |
| ESRS 2 SBM-1<br>Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv | | | ● | | N/A |
| ESRS E1-1<br>Transition plan to reach climate neutrality by 2050 paragraph 14 | | | | ● | 74 |
| ESRS E1-1<br>Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g) | | ● | ● | | 74 |
| ESRS E1-4<br>GHG emission reduction targets paragraph 34 | ● | ● | ● | | 76 |
| ESRS E1-5<br>Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38 | ● | | | | 78 |
| ESRS E1-5<br>Energy consumption and mix paragraph 37 | ● | | | | 78 |
| ESRS E1-5<br>Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43 | ● | | | | 78 |
| ESRS E1-6<br>Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44 | ● | ● | ● | | 79 |
| ESRS E1-6<br>Gross GHG emissions intensity paragraphs 53 to 55 | ● | ● | ● | | 79 |
| ESRS E1-7<br>GHG removals and carbon credits paragraph 56 | | | | ● | 77 |
| ESRS E1-9<br>Exposure of the benchmark portfolio to climate-related physical risks paragraph 66 | | | ● | | Subject to phase-in |
| ESRS E1-9<br>Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) | | ● | | | Subject to phase-in |
| ESRS E1-9<br>Location of significant assets at material physical risk paragraph 66 (c) | | ● | | | Subject to phase-in |
| ESRS E1-9<br>Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c) | | ● | | | Subject to phase-in |
| ESRS E1-9<br>Degree of exposure of the portfolio to climate- related opportunities paragraph 69 | | | ● | | Subject to phase-in |
| ESRS E2-4<br>Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28 | ● | | | | 82 |



| Disclosure requirements and related datapoint | SFDR reference | Pillar 3 reference | Benchmark regulation reference | EU climate law reference | Page number in report |
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| ESRS E3-1<br>Water and marine resources paragraph 9 | ● | | | | 84 |
| ESRS E3-1<br>Dedicated policy paragraph 13 | ● | | | | 84 |
| ESRS E3-1<br>Sustainable oceans and seas paragraph 14 | ● | | | | Not material |
| ESRS E3-4<br>Total water recycled and reused paragraph 28 (c) | ● | | | | Not material |
| ESRS E3-4<br>Total water consumption in $m^3$ per net revenue on own operations paragraph 29 | ● | | | | Not material |
| ESRS 2- SBM 3 - E4 paragraph 16 (a) i | ● | | | | 86 |
| ESRS 2- SBM 3 - E4 paragraph 16 (b) | ● | | | | 86 |
| ESRS 2- SBM 3 - E4 paragraph 16 (c) | ● | | | | 86 |
| ESRS E4-2<br>Sustainable land / agriculture practices or policies paragraph 24 (b) | ● | | | | 86 |
| ESRS E4-2<br>Sustainable oceans / seas practices or policies paragraph 24 (c) | ● | | | | 86 |
| ESRS E4-2<br>Policies to address deforestation paragraph 24 (d) | ● | | | | 86 |
| ESRS E5-5<br>Non-recycled waste paragraph 37 (d) | | | | | 92 |
| ESRS E5-5<br>Hazardous waste and radioactive waste paragraph 39 | ● | | | | 92 |
| ESRS 2- SBM3 - S1<br>Risk of incidents of forced labour paragraph 14 (f) | ● | | | | 99 |
| ESRS 2- SBM3 - S1<br>Risk of incidents of child labour paragraph 14 (g) | ● | | | | Not material |
| ESRS S1-1<br>Human rights policy commitments paragraph 20 | ● | | | | 100 |
| ESRS S1-1<br>Due diligence policies on issues addressed by the fundamental International Labour Organization conventions 1 to 8, paragraph 21 | | | ● | | 100 |
| ESRS S1-1<br>Processes and measures for preventing trafficking in human beings paragraph 22 | ● | | | | 100 |
| ESRS S1-1<br>Workplace accident prevention policy or management system paragraph 23 | ● | | | | 100 |
| ESRS S1-3<br>Grievance / complaints handling mechanisms paragraph 32 (c) | ● | | | | 100 |
| ESRS S1-14<br>Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c) | ● | | ● | | 104 |
| ESRS S1-14<br>Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e) | ● | | | | Subject to phase-in |
| ESRS S1-16<br>Unadjusted gender pay gap paragraph 97 (a) | ● | | ● | | 102 |
| ESRS S1-16<br>Excessive CEO pay ratio paragraph 97 (b) | ● | | | | 102 |
| ESRS S1-17<br>Incidents of discrimination paragraph 103 (a) | ● | | | | 104 |
| ESRS S1-17<br>Non-respect of UNGPs on business and human rights and OECD Guidelines paragraph 104 (a) | ● | | ● | | 104 |

| Disclosure requirements and related datapoint | SFDR reference | Pillar 3 reference | Benchmark regulation reference | EU climate law reference | Page number in report |
|---|---|---|---|---|---|
| ESRS 2- SBM3 – S2<br>Significant risk of child labour or forced labour in the value chain paragraph 11 (b) | ● | | | | 106 |
| ESRS S2-1<br>Human rights policy commitments paragraph 17 | ● | | | | 108 |
| ESRS S2-1<br>Policies related to value chain workers paragraph 18 | ● | | | | 108 |
| ESRS S2-1<br>Non-respect of UNGPs on business and human rights principles and OECD Guidelines paragraph 19 | ● | | ● | | 108 |
| ESRS S2-1<br>Due diligence policies on issues addressed by the fundamental International Labour Organization conventions 1 to 8, paragraph 19 | | | ● | | 107 |
| ESRS S2-4<br>Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36 | ● | | | | 108 |
| ESRS S3-1<br>Human rights policy commitments paragraph 16 | ● | | | | 111 |
| ESRS S3-1<br>Non-respect of UNGPs on business and human rights, ILO principles or OECD Guidelines paragraph 17 | ● | | ● | | 111 |
| ESRS S3-4<br>Human rights issues and incidents paragraph 36 | ● | | | | 112 |
| ESRS S4-1<br>Policies related to consumers and end-users paragraph 16 | ● | | | | 114 |
| ESRS S4-1<br>Non-respect of UNGPs on business and human rights and OECD Guidelines paragraph 17 | ● | | | | 114 |
| ESRS S4-4<br>Human rights issues and incidents paragraph 35 | ● | | | | 114 |
| ESRS G1-1<br>United Nations Convention against Corruption paragraph 10 (b) | ● | | | | 118 |
| ESRS G1-1<br>Protection of whistle-blowers paragraph 10 (d) | ● | | | | 118 |
| ESRS G1-4<br>Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a) | ● | | ● | | 119 |
| ESRS G1-4<br>Standards of anti-corruption and anti-bribery paragraph 24 (b) | ● | | | | 118 |

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# Financial information



# Financial overview

| Five-year summary | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Net sales, SEK m | 228,285 | 234,478 | 236,035 | 223,553 | 198,967 |
| Operating profit, SEK m | 18,395 | 17,306 | 14,537 | 7,169 | 15,255 |
| Operating margin, % | 8.1 | 7.4 | 6.2 | 3.2 | 7.7 |
| Profit after financial items, SEK m | 16,202 | 15,443 | 13,010 | 6,216 | 14,300 |
| Earnings per share, SEK[1] | 7.58 | 7.21 | 5.37 | 2.16 | 6.65 |
| Cash flow from operating activities per share, SEK[1] | 19.40 | 19.70 | 20.84 | 15.00 | 26.96 |
| Return on equity, % | 27.1 | 24.7 | 17.8 | 6.4 | 19.2 |
| Equity/assets ratio, % | 25.2 | 25.6 | 26.2 | 27.9 | 33.4 |
| Average number of employees | 94,744 | 97,710 | 101,103 | 106,522 | 107,375 |

1. Before and after dilution, excluding treasury shares.

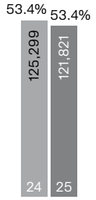
**Comments on the group income statement**
In the 2025 financial year, sales decreased by 3 percent to SEK 228,285 m (234,478). Reported net sales were negatively affected by a currency translation effect of around 5 percentage points related to the strong Swedish krona. In local currencies, sales increased by 2 percent. Several regions contributed to the year's positive sales trend. This reflects purposeful and focused efforts to strengthen the product offering, the customer experience and H&M Group's brands in a market that during the year was marked by an uncertain environment and cautious consumers. During the year a number of stores were upgraded and new stores were opened. This work is part of reinforcing H&M Group's long-term position. The upgrades include technology, layout and presentation for a more inspiring customer experience and greater precision in product availability. During the year the digital store was also updated globally for a more inspiring and relevant customer experience. At the end of the financial year the store network had around 4 percent fewer stores than at the same time in the previous year. In 2025 the closure of Monki's physical stores was completed and Monki's customer offering is now available in Weekday stores as well as at weekday.com. Net sales for portfolio brands in the financial year decreased by 2 percent in SEK and increased by 1 percent in local currencies. Excluding Monki, sales for portfolio brands increased by 4 percent in local currencies.

For the financial year, gross profit amounted to SEK 121,821 m (125,299), corresponding to a gross margin of 53.4 percent (53.4). The margin trend strengthened in the second half of the year, mainly as a result of improvement efforts in the supply chain. External factors that influence the gross margin also contributed positively in the second half of the year. H&M's gross profit and gross margin are affected by various factors, internal as well as external, and especially by the decisions that the group takes in line with its strategy to always have the best combination of fashion, quality, price and sustainability.

Net sales, SEK m
–3 %[1]

1. Sales development in local currencies was +2%.

Gross profit, SEK m and gross margin, %




Selling and administrative expenses, SEK m
–4%[2]

2. Selling and administrative expenses decreased by 1 percent in local currencies compared with the previous year.

Operating profit, SEK m and operating margin, %

Good cost control has enabled continued inflationary pressures in the cost base to be offset. For the financial year, selling and administrative expenses decreased by 4 percent to SEK 103,292 m (107,915). In local currencies these expenses decreased by 1 percent compared with the previous year. The main key drivers behind the improved cost base in 2025 were logistics streamlining, lease renegotiations, stronger purchasing efforts in areas that affect selling and administrative expenses, and more efficient use of marketing resources. Operating profit for the year amounted to SEK 18,395 m (17,306), corresponding to an operating margin of 8.1 percent (7.4).

The group's tax rate for the 2025 financial year was 25.2 percent (24.9). 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. For the full year, earnings per share increased by 5 percent to SEK 7.58 (7.21)[1]. The group's income statement is presented on page 138.

**Comments on the group balance sheet**

The H&M group is in a strong financial position. The group's equity/assets ratio at the end of the financial year was 25.2 percent (25.6) and the share of risk-bearing capital was 26.4 percent (26.9) of the balance sheet total. Equity apportioned on the outstanding 1,602,438 (1,604,491) thousand shares as at 30 November 2025 was SEK 26.80 (28.80) per share. The group's balance sheet is presented on page 140. See page 183 for definitions of key financial performance measures.

**Stock-in-trade**

During the year the group continued to invest in the supply chain and work on the integration of sales channels. A higher share of product purchases in season, and a more efficient and more flexible supply chain, create the conditions for improved stock availability for the customer with a lower volume of stock. At the end of the financial year the stock-in-trade amounted to SEK 35,427 m (40,348). This is a decrease of 12 percent compared with the previous year, and currency adjusted the stock-in-trade decreased by 5 percent. The book value of the stock-in-trade in SEK represented 15.5 percent (17.2) of rolling 12-month sales.

**Financing**

As at 30 November 2025 the group had interest-bearing liabilities, excluding lease liabilities and provisions for pensions, of SEK 20,675 m (14,117) in the form of bonds and loans from credit institutions. In addition, the group has undrawn credit facilities of SEK 19,680 m (18,416). A EUR 500 m bond with a maturity of eight years and a coupon rate of 3.4 percent was issued in the fourth quarter of the year as part of H&M Group's Euro Medium Term Note (EMTN) programme, in order to secure long-term financing at attractive terms. The average maturity of interest-bearing liabilities was 5.2 (5.3) years as at 30 November 2025. A maturity analysis of outstanding interest-bearing liabilities and undrawn credit facilities can be found in the table in note 2.

The H&M group's liquidity is good. As at 30 November 2025 cash and cash equivalents amounted to SEK 20,908 m (17,340). Cash and cash equivalents plus undrawn credit facilities amounted to SEK 40,588 m (35,756). Financial net cash amounted to SEK 233 m (3,223) and net debt including provisions for pensions and lease liabilities amounted to SEK 57,028 m (60,085).

Working capital from operating activities amounted to SEK 21,012 m (21,562), the decrease being mainly a result of improved inventory productivity. The H&M group continues to have a high degree of financial flexibility. Net debt, including lease liabilities, at the end of the financial year was 1.4 (1.5) times EBITDA, which aligns with the target multiple of 1.0–2.0. This level ensures the group's ability to manage market volatility and capitalise on future investment opportunities.

**Direction**

H&M Group has three long-term targets: long-term sales growth of at least 10 percent per year, an operating margin that exceeds 10 percent and a 56 percent reduction in greenhouse gas emissions[2] no later than 2030, with 2019 as a baseline. The company is focused on unlocking the growth potential of the group's brands, with a particular focus on strengthening H&M. This means that non-organic growth and growth through new business models are being given lower priority in the short to medium term.

**Events after the closing date**

No significant events have occurred since the end of the reporting period.

**Compensation**

The annual general meeting on 7 May 2025 approved Guidelines for remuneration of senior executives, see pages 133–134 as well as a long-term incentive programme, see pages 157–158.

Stock-in-trade, SEK m
–12 %[3]

3. In local currencies the change in stock-in-trade was –5%.

1. Before and after dilution, excluding treasury shares.
2. Refers to science-based targets for own operations (Scope 1 and 2) and for the company's entire value chain (Scope 3) and excludes use of sold products.



**The following text describes the guidelines for remuneration of senior executives as adopted at the annual general meeting on 7 May 2025 and subsequently communicated.**

**Guidelines for remuneration of senior executives**

The annual general meeting on 7 May 2025 adopted the following guidelines for remuneration to senior executives.

The remuneration guidelines cover remuneration to the CEO and other senior executives (the group management) as well as remuneration to board members aside from board fees.

The guidelines shall apply to agreed remuneration, and to changes made to already agreed remuneration, after the guidelines were adopted by the annual general meeting 2025.

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

The H&M group's business plan aims to deliver long-term, sustainable and profitable growth. The business plan is illustrated by a number of objectives to which the company's sustainability efforts and digital transformation contribute. For more information about the company's business plan, business idea and objectives, refer to hmgroup.com.

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. The board of directors 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. These guidelines enable the company to offer this to its senior executives.

**Types of remuneration etc.**

Senior executives shall be compensated at what are considered by the company to be competitive market rates, including in relation to industry comparisons. Levels of compensation shall also reflect the individual's competence, experience and performance. The total remuneration may consist of fixed basic cash salary, short-term variable remuneration, pension benefits and other benefits.

The general meeting may also decide upon, for example, long-term variable remuneration in the form of share and share price related programmes. Remuneration decided by the general meeting is not covered by these guidelines.

**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.

**Short-term variable remuneration**

Short-term variable remuneration shall be determined annually by the board of directors and shall aim to promote the H&M group's development in both the short and the long term.

Fulfilment of short-term variable remuneration targets shall be measured over a period of one year. The targets shall be based mainly on financial results, such as total sales and total operating profit. Financial performance may be the performance of the group or the business area for which the executive is responsible. Objectives may also be linked to non-financial measures, such as strategic, operational or individual targets to meet the various areas of the business plan, including sustainability, leadership and adherence to values. Each year the board of directors will set target levels for each of the performance parameters for the coming year. There shall always be a threshold for the achievement of financial performance targets, with the implication that if this threshold is not reached, no short-term variable remuneration will be paid regardless of the achievement of other targets.

The board of directors is responsible for this assessment in the case of short-term variable remuneration to the CEO. Regarding the assessment of short-term variable remuneration to other senior executives, the chair of the board is responsible in consultation with the CEO.

The short-term variable remuneration, which at individual level shall be based on the importance of the person's duties and position in terms of influencing the overall performance of the group, may vary but shall not exceed 80 percent of the fixed basic cash salary.

**Extraordinary arrangements**

In specific cases, the company may offer one-time compensation, provided that such compensation is only given on an individual basis for the purpose of recruiting or retaining senior executives and does not exceed an amount equivalent to 100 percent of the individual's annual fixed basic cash salary, and is not paid more than once per year per individual. Decisions on such remuneration shall be taken by the board of directors.

**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, unless otherwise provided by law or mandatory provisions of collective bargaining agreements. The pension premiums for the year may not exceed 30 percent of the CEO's annual fixed basic cash 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 may not exceed 40 percent of the senior executive's annual fixed basic cash salary.

The retirement age for the CEO shall be 65. The retirement age for other senior executives may vary 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 may not exceed 20 percent of the individual's annual fixed basic cash salary.

For members of the group management stationed in a country other than their home country, additional remuneration and other benefits may be paid considering the specific circumstances of such expatriation in accordance with local practice and the group's International Assignments Policy.

**Termination of employment**

Upon termination of employment, the notice period may not exceed 12 months for the CEO and 6 months for other senior executives.

If the company terminates a senior executive's employment, a maximum of one year's fixed basic cash salary may also be paid as severance pay. Severance pay shall not constitute a basis for vacation pay, pension or other benefits unless otherwise provided by law or mandatory collective bargaining agreements.

**Salary and employment terms for other employees of the company**

When preparing the board of directors' 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**
If 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 of directors prepares proposed guidelines for remuneration to senior executives and these proposals are presented at the annual general meetings. The board of directors 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 of directors 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 of directors 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. For other senior executives, the CEO is responsible for proposing remuneration, which is then approved by the chairman of the board. To avoid conflicts of interest, no member of the company's management is to be present when the board of directors discusses remuneration matters, with the exception of the presence of the CEO when discussing the remuneration of other senior executives, which should be done in accordance with these guidelines.

**Deviations from the guidelines**
The board of directors may decide to temporarily deviate from the guidelines adopted by the annual general meeting, 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, including its sustainability, or to ensure the financial viability of the company. As stated above, the board of directors' duties include preparing decisions on remuneration issues, including decisions on deviations from the guidelines.

**Other**
There are currently two outstanding incentive programmes in which certain senior executives participate. One of the outstanding incentive programmes is the so-called LTI programme, which was implemented in 2021 and expires 30 November 2025. Under this programme, long-term variable cash remuneration may be paid out upon the achievement of predetermined long-term targets. Senior executives who wish to participate in the new LTI 2025 programme proposed by the board of directors to the annual general meeting 2025 are required to accept that their participation in the LTI 2021 programme will be shortened so that it ends already 30 November 2024, with reduced costs for the company as a result. The other ongoing incentive programme is 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 rules or established local practice, while fulfilling the general aim of the guidelines as far as possible.

**Description of significant changes to the guidelines and how the shareholders' views have been taken into account**
The proposed guidelines represent an update and streamlining compared with the guidelines adopted by the annual general meeting 2021 and are adapted to H&M's long-term interests. The provisions on long-term variable remuneration have been deleted as the board of directors intends to propose this as a separate resolution to the general meeting instead. The provisions on short-term variable remuneration have been shortened and streamlined, with fewer provisions and detailed restrictions. Some additions have been made to provide some flexibility for extraordinary arrangements and to allow for adjustments for expatriate executives. The provision on termination of employment has been updated. The changes mainly coincide with the views expressed by shareholders. Some shareholders have also expressed a desire for greater transparency regarding the performance requirements for variable remuneration. These views have been considered in the drafting of the board of directors' proposal, but also in the board of directors' considerations regarding the format of the disclosures in future remuneration reports.



**The following text describes the board of director's proposal regarding guidelines for remuneration of senior executives, for the 2026 annual general meeting to resolve on.**

**The board of directors' proposal for guidelines for remuneration of senior executives**
The remuneration guidelines cover remuneration to the CEO and other senior executives (the group management) as well as remuneration to board members aside from board fees.

The guidelines shall apply to agreed remuneration, and to changes made to already agreed remuneration, after the guidelines was adopted by the annual general meeting 2026.

**How the guidelines contribute to the company's business plan, long-term interests and sustainability**
The H&M group's business plan aims to deliver long-term, sustainable and profitable growth. The business plan is illustrated by a number of objectives to which the company's sustainability efforts and digital transformation contribute. For more information about the company's business plan, business idea and objectives, refer to hmgroup.com.

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. The board of directors 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. These guidelines enable the company to offer this to its senior executives.

**Types of remuneration etc.**
Senior executives shall be compensated at what are considered by the company to be competitive market rates, including in relation to industry comparisons. Levels of compensation shall also reflect the individual's competence, experience and performance. The total remuneration may consist of fixed base cash salary, short-term variable remuneration, pension benefits and other benefits.

The general meeting may also decide upon, for example, long-term variable remuneration in the form of share and share price related programmes. Remuneration decided by the general meeting is not covered by these guidelines.

**Fixed base cash salary**
Senior executives shall have a fixed base cash salary that is at a market level based on each position's significance for the company as a whole. The fixed base 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.

**Short-term variable remuneration**
Short-term variable remuneration shall be determined annually by the board of directors and shall aim to promote the H&M group's development in both the short and the long term.

Fulfilment of short-term variable remuneration targets shall be measured over a period of one year. The targets shall be based mainly on financial results, such as total sales and total operating profit. Financial performance may be the performance of the group or the business area for which the executive is responsible. Objectives may also be linked to non-financial measures, such as strategic, operational or individual targets to meet the various areas of the business plan, including sustainability, leadership and adherence to values. Each year the board of directors will set target levels for each of the performance parameters for the coming year. There shall always be a threshold for the achievement of the total operating profit, with the implication that if this threshold is not reached, no short-term variable remuneration will be paid regardless of the achievement of other targets.

The board of directors is responsible for this assessment in the case of short-term variable remuneration to the CEO. Regarding the assessment of short-term variable remuneration to other senior executives, the chair of the board is responsible in consultation with the CEO.

The short-term variable remuneration, which at individual level shall be based on the importance of the person's duties and position in terms of influencing the overall performance of the group, may vary but shall not exceed 80 percent of the fixed base cash salary.

**Extraordinary arrangements**
In specific cases, the company may offer one-time compensation, provided that such compensation is only given on an individual basis for the purpose of recruiting or retaining senior executives and does not exceed an amount equivalent to 100 percent of the individual's annual fixed base cash salary, and is not paid more than once per year per individual. Decisions on such remuneration shall be taken by the board of directors.

**Pension benefits**
In the case of the CEO, pension benefits are to be on a defined contribution basis. Variable cash remuneration shall not be pensionable, unless otherwise provided by law or mandatory provisions of collective bargaining agreements. The pension premiums for the year may not exceed 30 percent of the CEO's annual fixed base cash salary. In addition to pension benefits, the CEO may be covered by insurance benefits in accordance with local market practice, such as survivor's pension, sickness insurance, etc.

In the case of other senior executives, pension benefits 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 may not exceed 40 percent of the senior executive's annual fixed base cash salary. In addition to pension benefits, other senior executives may be covered by insurance benefits in accordance with local market practice, such as survivor's pension, sickness insurance, etc.

The retirement age shall be in line with market practice and the applicable pension plan for each executive.

**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 may not exceed 20 percent of the individual's annual fixed base cash salary.

For members of the group management stationed in a country other than their home country, additional remuneration and other benefits may be paid considering the specific circumstances of such expatriation in accordance with local practice and the group's International Assignments Policy.

**Termination of employment**
Upon termination of employment, the notice period may not exceed twelve months for the CEO and other senior executives.

If the company terminates the CEO or another senior executive's employment, the fixed cash base salary during the notice period and severance pay together may not exceed an amount corresponding to the individual's fixed cash base salary for two years. Severance pay shall not constitute a basis for vacation pay, pension or other benefits unless otherwise provided by law or mandatory collective bargaining agreements.

**Salary and employment terms for other employees of the company**
When preparing the board of directors' 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 of directors assessed whether the guidelines, and the resulting limitations, are reasonable.

**Consultancy fees**
If 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 of directors to carry out the tasks of a remuneration committee. The board of directors prepares proposed guidelines for remuneration to senior executives, and these proposals are presented at the annual general meetings. The board of directors 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 of directors 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 of directors 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. For other senior executives, the CEO is responsible for proposing remuneration, which is then approved by the chairman of the board. To avoid conflicts of interest, no member of the company's management is to be present when the board of directors discusses remuneration matters, with the exception of the presence of the CEO when discussing the remuneration of other senior executives, which should be done in accordance with these guidelines.

**Deviations from the guidelines**
The board of directors may decide to temporarily deviate from the guidelines adopted by the annual general meeting, 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, including its sustainability, or to ensure the financial viability of the company. As stated above, the board of directors' duties include preparing decisions on remuneration issues, including decisions on deviations from the guidelines.

**Other**
H&M has established share-based incentive programmes for long-term variable remuneration, addressed to the CEO, the group management and other key executives within the H&M group. The programmes aim to create conditions that attract, motivate, and retain competent employees within the H&M group, as well as to strengthen the common interests between the employees, shareholders, and the company's objectives, and to increase motivation to achieve and exceed the company's financial and non-financial goals. H&M also has a profit-sharing programme, the H&M Incentive Program, which is for all employees of the H&M group. The programmes have been adopted by the annual general meeting and are therefore 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 rules or established local practice, while fulfilling the general aim of the guidelines as far as possible.

**Description of significant changes to the guidelines and how the shareholders' views have been taken into account**
The proposed changes to the guidelines involve, in addition to linguistic clarifications and adjustments, updates regarding the maximum notice period for other senior executives, compensation during notice period and severance pay, as well as regarding pensions, all in order to create greater flexibility in the event of changes within H&M, to promote H&M's long-term interests. No material comments have been received from shareholders regarding the guidelines adopted by the annual general meeting 2025.



**Number of shares**
At the end of the 2025 financial year the total number of shares in H&M was 1,604,491,375 shares, of which 194,400,000 are class A shares with 10 votes per share and 1,410,091,375 are class B shares with one vote per share.

Following implementation of the resolution passed by the annual general meeting on 7 May 2025 the 6,050,850 class B treasury shares repurchased during 2024 as part of H&M's buyback programme were cancelled. In the previous financial year (2024) the board of directors decided to utilise the authorisation granted by the 2024 annual general meeting and in September 2024 began a SEK 1 billion share buyback programme. As at 30 November 2024 a total of 6,050,850 class B shares in H&M had been repurchased for a total sum of SEK 1 billion and the programme was completed on 26 November 2024. As at 30 November 2024 the number of shares outstanding, excluding treasury shares, was 1,604,491,375.

**Share buybacks**
During the period 26 June 2025–17 July 2025 shares were repurchased as authorised by the 2025 annual general meeting in order to secure delivery of class B shares to the participants in the company's long-term incentive programme (LTIP 2025). A total of 1,100,000 class B shares in H&M were repurchased for a total sum of around SEK 149 m.

The board of directors further resolved to carry out a SEK 1 billion share buyback programme that started on 21 November 2025, in order to distribute surplus liquidity and thereby adjust the company's capital structure. As at 30 November 2025 a total of 953,000 class B shares in H&M had been repurchased for a total sum of approximately SEK 165 m. The share buyback programme was completed on 23 January 2026 with 5,618,372 class B shares having been repurchased in total. The board of directors proposes that the 2026 AGM resolve to cancel the shares that were repurchased for the purpose of distributing surplus liquidity and thereby adjusting the company's capital structure.

As at 30 November 2025 H&M held 2,053,000 class B treasury shares. The total number of shares in H&M as at 30 November 2025, including treasury shares, was 1,604,491,375 and the number of shares outstanding, excluding treasury shares, was 1,602,438,375. In the 2025 financial year a dividend of SEK 10,906 m was distributed.

**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 2025, Net debt/EBITDA including IFRS 16 effects was 1.5 (1.5) with a financial net cash of SEK 233 m (3,223).

**Proposed authorisation to allow share buybacks**
The board of directors is proposing that the 2026 annual general meeting approve a general authorisation allowing the board to buy back the group's own class B shares in the period up to the 2027 annual general meeting. This general authorisation is, among other things, one of the tools for the board to use if surplus liquidity is identified.

**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 14,921 m. The board of directors is proposing to the 2026 annual general meeting that a dividend of SEK 7.10 per share is paid, totalling SEK 11,377 m, and that the remaining earnings of H & M Hennes & Mauritz AB of SEK 3,543 m are carried forward. The dividend will be paid in cash, split into two instalments. The first payment of SEK 3.55 will be made in May and the second payment of SEK 3.55 will be made in November. The board's proposed record dates are 7 May 2026 and 5 November 2026. If the annual general meeting approves the board's proposal, the dividend is expected to be paid out on 12 May 2026 and 10 November 2026.

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 of directors is proposing to the 2026 annual general meeting that a dividend be paid at a cash amount of SEK 7.10 per share.

| | |
|---|---|
| The following funds are at the disposal of the annual general meeting[1] | SEK 14,920,567,469 |
| The board proposes a dividend to the shareholders of SEK 7.10 per share[2] | SEK 11,377,312,463 |
| To be carried forward as retained earnings | SEK 3,543,255,006 |
| **Total** | **SEK 14,920,567,469** |

1. Including remaining amount of SEK 835 m for the share buyback programme that was ongoing as at 30 November 2025.
2. Excluding treasury shares, as at 30 November 2025.

# Group income statement

| SEK m | Note | 1 Dec 2024–30 Nov 2025 | 1 Dec 2023–30 Nov 2024 |
|---|---|---|---|
| Net sales | 3, 5 | 228,285 | 234,478 |
| Cost of goods sold | 7, 8, 10 | –106,464 | –109,179 |
| **Gross profit** | | **121,821** | **125,299** |
| Selling expenses | 7, 8, 10 | –93,023 | –97,153 |
| Administrative expenses | 7, 8, 10, 11 | –10,269 | –10,762 |
| Result from investments in associated companies and joint ventures | 16 | –134 | –78 |
| **Operating profit** | | **18,395** | **17,306** |
| Interest income and similar items | | 460 | 890 |
| Interest expense and similar items | | –2,653 | –2,753 |
| **Profit after financial items** | | **16,202** | **15,443** |
| Tax | 12 | –4,117 | –3,859 |
| **Profit for the year** | | **12,085** | **11,584** |
| Attributable to: | | | |
| The shareholders of H & M Hennes & Mauritz AB | | 12,158 | 11,621 |
| Non-controlling interest | 13 | –73 | –37 |
| Earnings per share, SEK[1] | | 7.58 | 7.21 |
| Average number of shares outstanding, thousands[1] | | 1,604,033 | 1,611,695 |

1. Before and after dilution, excluding own shares.



# Consolidated statement of comprehensive income

| SEK m | Note | 1 Dec 2024–30 Nov 2025 | 1 Dec 2023–30 Nov 2024 |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **12,085** | **11,584** |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified to profit or loss** | | | |
| Translation differences | | –3,556 | 717 |
| Change in hedging reserves | 24 | 513 | –589 |
| Tax attributable to change in hedging reserves | | –106 | 121 |
| Share of OCI related to associated companies and joint ventures | | 0 | 0 |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of defined benefit pension plans | 22 | 55 | –73 |
| Tax related to the above remeasurement | | –14 | 18 |
| Remeasurement of financial assets | 24 | –1,052 | 299 |
| **Other comprehensive income** | | –4,160 | **493** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **7,925** | **12,077** |
| Attributable to: | | | |
| The shareholders of H & M Hennes & Mauritz AB | | 7,998 | 12,114 |
| Non-controlling interest | 13 | –73 | –37 |

# Group balance sheet

| SEK m | Note | 30 Nov 2025 | 30 Nov 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| **Intangible non-current assets** | | | |
| Brands | 14 | 350 | 400 |
| Leasehold and similar rights | 14 | 239 | 223 |
| Capitalised development expenditure | 14 | 6,145 | 7,094 |
| Goodwill | 14 | 1,013 | 1,013 |
| | | **7,747** | **8,730** |
| **Property, plant and equipment** | | | |
| Buildings and land | 15 | 602 | 665 |
| Equipment, tools, fixture and fittings | 15 | 29,838 | 28,493 |
| Right-of-use assets | 17 | 52,094 | 57,062 |
| | | **82,534** | **86,220** |
| **Non-current financial assets** | | | |
| Interests in associates and joint ventures | 16 | 126 | 259 |
| Other shares and interests | 24 | 1,919 | 3,029 |
| | | **2,045** | **3,288** |
| **Other non-current assets** | | | |
| Non-current receivables | | 775 | 859 |
| Deferred tax assets | 12 | 4,677 | 5,390 |
| | | **5,452** | **6,249** |
| **TOTAL NON-CURRENT ASSETS** | | **97,778** | **104,487** |
| **CURRENT ASSETS** | | | |
| Stock-in-trade | 18 | 35,427 | 40,348 |
| **Current receivables** | | | |
| Accounts receivable | 24 | 6,411 | 5,631 |
| Tax assets | 12 | 2,176 | 2,831 |
| Other receivables | | 4,270 | 5,654 |
| Prepaid expenses | 19 | 3,303 | 3,923 |
| | | **16,160** | **18,039** |
| **Cash and cash equivalents** | 20 | **20,908** | **17,340** |
| **TOTAL CURRENT ASSETS** | | **72,495** | **75,727** |
| **TOTAL ASSETS** | | **170,273** | **180,214** |

| SEK m | Note | 30 Nov 2025 | 30 Nov 2024 |
|---|---|---|---|
| **EQUITY AND LIABILITES** | | | |
| **EQUITY** | | | |
| Share capital | 21 | 207 | 207 |
| Reserves | | 3,297 | 6,445 |
| Retained earnings | | 39,417 | 39,490 |
| **Equity attributable to the shareholders of H & M Hennes & Mauritz AB** | | **42,921** | **46,142** |
| Non-controlling interest | 13 | 26 | 69 |
| **TOTAL EQUITY** | | **42,947** | **46,211** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provisions for pensions | 22 | 389 | 471 |
| Deferred tax liabilities | 12 | 1,953 | 2,242 |
| Liabilities to credit institutions | 27 | 18,330 | 14,117 |
| Other non-current liabilities | | 148 | 162 |
| Non-current leasing liabilities | 17, 27 | 44,903 | 50,361 |
| | | **65,723** | **67,353** |
| **Current liabilities** | | | |
| Accounts payable | | 20,826 | 24,417 |
| Tax liabilities | 12 | 1,791 | 2,257 |
| Liabilities to credit institutions | 27 | 2,345 | – |
| Other provisions | 23 | 712 | 540 |
| Current leasing liabilities | 17, 27 | 11,969 | 12,476 |
| Other liabilites | | 6,436 | 6,809 |
| Accrued expenses and deferred income | 5, 25 | 17,524 | 20,151 |
| | | **61,603** | **66,650** |
| **TOTAL LIABILITIES** | | **127,326** | **134,003** |
| **TOTAL EQUITY AND LIABILITES** | | **170,273** | **180,214** |

# Group changes in equity

| SEK m | Attributable to the shareholders of the parent company, H & M Hennes & Mauritz AB | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Translation reserve | Hedging reserve | Retained earnings | Total | Non-controlling interest | Total equity |
| **SHAREHOLDERS' EQUITY 1 DECEMBER 2024** | **207** | **6,786** | **–341** | **39,490** | **46,142** | **69** | **46,211** |
| Profit for the year | – | – | – | 12,158 | 12,158 | –73 | 12,085 |
| **Other comprehensive income** | | | | | | | |
| Translation differences | – | –3,555 | – | – | –3,555 | –1 | –3,556 |
| Change in hedging reserves | – | – | 513 | – | 513 | – | 513 |
| Tax attributable to hedging reserves | – | – | –106 | – | –106 | – | –106 |
| Share of other comprehensive income related to joint ventures and associated companies | – | 0 | – | – | 0 | – | 0 |
| Remeasurement of defined benefit pension plans | – | – | – | 55 | 55 | – | 55 |
| Tax related to the above remeasurement | – | – | – | –14 | –14 | – | –14 |
| Remeasurement of financial assets | – | – | – | –1,052 | –1,052 | – | –1,052 |
| **Other comprehensive income** | **–** | **–3,555** | **407** | **–1,011** | **–4,159** | **–1** | **–4,160** |
| **Total comprehensive income** | **–** | **–3,555** | **407** | **11,147** | **7,999** | **–74** | **7,925** |
| Dividend | – | – | – | –10,906 | –10,906 | – | –10,906 |
| Repurchase of shares | – | – | – | –314 | –314 | – | –314 |
| Redemption of shares | –1 | – | – | 1 | – | – | – |
| Bonus issue | 1 | – | – | –1 | – | – | – |
| Transactions with non-controlling interests | – | – | – | – | – | 31 | 31 |
| **SHAREHOLDERS' EQUITY 30 NOVEMBER 2025** | **207** | **3,231** | **66** | **39,417** | **42,921** | **26** | **42,947** |



| SEK m | Attributable to the shareholders of the parent company, H & M Hennes & Mauritz AB | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Translation reserve | Hedging reserve | Retained earnings | Total | Non-controlling interest | Total equity |
| **SHAREHOLDERS' EQUITY 1 DECEMBER 2023** | **207** | **6,069** | **127** | **41,025** | **47,428** | **82** | **47,510** |
| Profit for the year | – | – | – | 11,621 | 11,621 | –37 | 11,584 |
| **Other comprehensive income** | | | | | | | |
| Translation differences | – | 717 | – | – | 717 | 0 | 717 |
| Change in hedging reserves | – | – | –589 | – | –589 | – | –589 |
| Tax attributable to hedging reserves | – | – | 121 | – | 121 | – | 121 |
| Share of other comprehensive income related to joint ventures and associated companies | – | 0 | – | – | 0 | – | 0 |
| Remeasurement of defined benefit pension plans | – | – | – | –73 | –73 | – | –73 |
| Tax related to the above remeasurement | – | – | – | 18 | 18 | – | 18 |
| Remeasurement of financial assets | – | – | – | 299 | 299 | – | 299 |
| **Other comprehensive income** | **–** | **717** | **–468** | **244** | **493** | **0** | **493** |
| **Total comprehensive income** | **–** | **717** | **–468** | **11,865** | **12,114** | **–37** | **12,077** |
| Dividend | – | – | – | –10,456 | –10,456 | – | –10,456 |
| Repurchase of shares | – | – | – | –2,880 | –2,880 | – | –2,880 |
| Redemption of shares | –2 | – | – | 2 | – | – | – |
| Bonus issue | 2 | – | – | –2 | – | – | – |
| Transactions with non-controlling interests | – | – | – | –64 | –64 | 24 | –40 |
| **SHAREHOLDERS' EQUITY 30 NOVEMBER 2024** | **207** | **6,786** | **–341** | **39,490** | **46,142** | **69** | **46,211** |

# Group cash flow statement

| SEK m | Note | 1 Dec 2024–30 Nov 2025 | 1 Dec 2023–30 Nov 2024 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit after financial items[1] | | 16,202 | 15,443 |
| **Adjustment for non-cash items** | | | |
| – Provisions for pensions | 22 | 12 | 13 |
| – Other provisions | 23 | 153 | 676 |
| – Depreciation, amortisation and write-downs | 10 | 21,140 | 22,252 |
| – Other non-cash items | | 134 | 78 |
| Taxes paid | 12 | –3,890 | –1,717 |
| **Cash flow from operating activities before changes in working capital** | | **33,751** | **36,745** |
| **Cash flow from changes in working capital** | | | |
| Operating receivables | | –3,082 | –2,299 |
| Stock-in-trade | 18 | 3,785 | –3,036 |
| Operating liabilities | | –3,334 | 346 |
| **Cash flow from operating activities** | | **31,120** | **31,756** |
| **Investing activities** | | | |
| Investments in leasehold and similar rights | 14 | –73 | –19 |
| Investments in other intangible assets | 14 | –1,366 | –1,369 |
| Investments in equipment | 15 | –9,240 | –10,060 |
| Other investments | 24 | 64 | –126 |
| **Cash flow from investing activities** | | **–10,615** | **–11,574** |
| **Financing activities** | | | |
| Short-term loans | | 353 | –2,966 |
| New long-term borrowing | 27 | 6,945 | – |
| Repayment of long-term loans | 27 | –149 | –248 |
| Amortisation leases | 17 | –12,328 | –12,631 |
| Capital contribution non-controlling interests | 13 | 31 | 24 |
| Dividend | | –10,906 | –10,456 |
| Repurchase of shares | 21 | –254 | –2,928 |
| **Cash flow from financing activities** | 27 | **–16,308** | **–29,205** |
| **CASH FLOW FOR THE YEAR** | | **4,197** | **–9,023** |
| **Cash and cash equivalents at the beginning of the financial year** | | **17,340** | **26,398** |
| Cash flow for the year | | 4,197 | –9,023 |
| Exchange rate effect | | –629 | –35 |
| **Cash and cash equivalents at year-end** | 20 | **20,908** | **17,340** |

1. Interest paid for the group amounts to SEK 671 m (760). Interest expense related to leases amounts to SEK 1,982 m (1,993) for the group. Received interest for the group amounts to SEK 460 m (890).



# Parent company income statement

| SEK m | Note | 1 Dec 2024–30 Nov 2025 | 1 Dec 2023–30 Nov 2024 |
|---|---|---|---|
| Net sales | 6 | 2,340 | 2,364 |
| **Gross profit** | | **2,340** | **2,364** |
| Administrative expenses | 7, 8, 10, 11 | –122 | –170 |
| **Operating profit** | | **2,218** | **2,194** |
| Revenue from interests in group companies | | 11,541 | 10,053 |
| Interest income and similar items | 32 | 636 | 491 |
| Interest expense and similar items | 32 | –648 | –484 |
| **Profit after financial items** | | **13,747** | **12,254** |
| Year-end appropriations | 28 | –780 | –1,287 |
| Tax | 12 | –297 | –217 |
| **PROFIT FOR THE YEAR** | | **12,670** | **10,750** |

# Parent company statement of comprehensive income

| SEK m | Note | 1 Dec 2024–30 Nov 2025 | 1 Dec 2023–30 Nov 2024 |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **12,670** | **10,750** |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of defined benefit pension plans | 22 | 2 | –14 |
| Tax related to the above remeasurement | | 0 | 3 |
| **Other comprehensive income** | | **2** | **–11** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **12,672** | **10,739** |

# Parent company balance sheet

| SEK m | Note | 30 Nov 2025 | 30 Nov 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| **Property, plant and equipment** | | | |
| Buildings and land | 15 | 106 | 111 |
| Equipment, tools, fixture and fittings | 15 | 18 | 19 |
| | | **124** | **130** |
| **Non-current financial assets** | | | |
| Shares and interests | 29 | 1,252 | 1,244 |
| Receivables from subsidiaries | | 78 | 78 |
| Other non-current receivables | | 69 | 76 |
| Deferred tax assets | 12 | 59 | 65 |
| | | **1,458** | **1,463** |
| **TOTAL NON-CURRENT ASSETS** | | **1,582** | **1,593** |
| **CURRENT ASSETS** | | | |
| **Current receivables** | | | |
| Accounts receivable | | 1 | – |
| Receivables from subsidiaries | | 34,962 | 26,757 |
| Tax assets | | – | 12 |
| Other receivables | | 14 | 62 |
| Prepaid expenses | 19 | 168 | 111 |
| | | **35,145** | **26,942** |
| **Cash and bank balances** | 20 | **0** | – |
| **TOTAL CURRENT ASSETS** | | **35,145** | **26,942** |
| **TOTAL ASSETS** | | **36,727** | **28,535** |

| SEK m | Note | 30 Nov 2025 | 30 Nov 2024 |
|---|---|---|---|
| **EQUITY AND LIABILITES** | | | |
| **EQUITY** | | | |
| **Restricted equity** | | | |
| Share capital | 21 | 207 | 207 |
| Restricted reserves | | 88 | 88 |
| | | **295** | **295** |
| **Non-restricted equity** | | | |
| Retained earnings | | 2,248 | 2,729 |
| Profit for the year | | 12,672 | 10,739 |
| | | **14,920** | **13,468** |
| **TOTAL EQUITY** | | **15,215** | **13,763** |
| **Untaxed reserves** | 30 | **16** | **17** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provisions for pensions | 22 | 116 | 128 |
| Liabilities to credit institutions | 27 | 17,786 | 13,048 |
| | | **17,902** | **13,176** |
| **Current liabilities** | | | |
| Accounts payable | | 11 | 6 |
| Liabilities to subsidiaries | | 1,045 | 1,288 |
| Tax liabilities | | 160 | – |
| Liabilities to credit institutions | 27 | 2,000 | – |
| Other liabilites | | 155 | 95 |
| Accrued expenses and deferred income | 25 | 223 | 190 |
| | | **3,594** | **1,579** |
| **TOTAL LIABILITIES** | | **21,496** | **14,755** |
| **TOTAL EQUITY AND LIABILITES** | | **36,727** | **28,535** |

# Parent company changes in equity

| SEK m | Share capital | Restricted reserves | Retained earnings | Total equity |
|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY 1 DECEMBER 2024** | **207** | **88** | **13,468** | **13,763** |
| Profit for the year | – | – | 12,670 | 12,670 |
| **Other comprehensive income** | | | | |
| Remeasurement of defined benefit pension plans | – | – | 2 | 2 |
| Tax related to the above remeasurement | – | – | 0 | 0 |
| **Other comprehensive income** | – | – | **2** | **2** |
| **Comprehensive income** | – | – | **12,672** | **12,672** |
| Dividend | – | – | –10,906 | –10,906 |
| Repurchase of shares | – | – | –314 | –314 |
| Redemption of shares | –1 | – | 1 | – |
| Bonus issue | 1 | – | –1 | – |
| **SHAREHOLDERS' EQUITY 30 NOVEMBER 2025** | **207** | **88** | **14,920** | **15,215** |

| SEK m | Share capital | Restricted reserves | Retained earnings | Total equity |
|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY 1 DECEMBER 2023** | **207** | **88** | **16,065** | **16,360** |
| Profit for the year | – | – | 10,750 | 10,750 |
| **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** | – | – | **10,739** | **10,739** |
| Dividend | – | – | –10,456 | –10,456 |
| Repurchase of shares | – | – | –2,880 | –2,880 |
| Redemption of shares | –2 | – | 2 | – |
| Bonus issue | 2 | – | –2 | – |
| **SHAREHOLDERS' EQUITY 30 NOVEMBER 2024** | **207** | **88** | **13,468** | **13,763** |



# Parent company cash flow statement

| SEK m | Note | 1 Dec 2024–30 Nov 2025 | 1 Dec 2023–30 Nov 2024 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit after financial items[1] | | 13,747 | 12,254 |
| **Adjustment for non-cash items** | | | |
| – Provisions for pensions | 22 | –10 | –9 |
| – Depreciation, amortisation and write-downs | 10 | 10 | 10 |
| – Other non-cash items | | –175 | 381 |
| Taxes paid | 12 | –120 | –678 |
| **Cash flow from operating activities before changes in working capital** | | **13,452** | **13,314** |
| **Cash flow from changes in working capital** | | | |
| Operating receivables | | –8,210 | 2,983 |
| Operating liabilities | | –1,015 | 56 |
| **Cash flow from operating activities** | | **4,227** | **16,353** |
| **Investing activities** | | | |
| Investments in equipment | | –4 | 0 |
| Investments in group companies | | –8 | –125 |
| Other investments | | – | 21 |
| **Cash flow from investing activities** | | **–12** | **–104** |
| **Financing activities** | | | |
| Short-term loans | 27 | – | –2,867 |
| New long-term borrowing | 27 | 6,945 | – |
| Dividend | | –10,906 | –10,456 |
| Repurchase of shares | 21 | –254 | –2,928 |
| **Cash flow from financing activities** | | **–4,215** | **–16,251** |
| **CASH FLOW FOR THE YEAR** | | **0** | **–2** |
| **Cash and cash equivalents at the beginning of the financial year** | | – | **2** |
| Cash flow for the year | | 0 | –2 |
| **Cash and cash equivalents at year-end** | 20 | **0** | – |

1. Interest paid for the parent company amounts to SEK 386 m (484). Received interest for the parent company amounts to SEK 395 m (479), note 32.

# Notes to the financial statements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**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 19 March 2026 and will be submitted to the annual general meeting for approval on 5 May 2026.

## 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 kronor, 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 kronor (SEK m).

Applicable accounting principles 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**
As of 2025, the H&M group applies the amendments to IAS 7 and IFRS 7 by adding qualitative and quantitative disclosures regarding supplier finance arrangements. The information is disclosed in note 24.

**Future accounting principles and disclosure requirements**
IFRS 18 Presentation and Disclosure in Financial Statements will apply from 1 January 2027, affecting the H&M group's financial statements from 2028.

No new or amended accounting standards that are not yet mandatory have been early adopted by the H&M group.

**Climate-related considerations**
The potential impacts of climate change have been considered in the preparation of the financial reports, particularly regarding the risks identified inaccordance with the principles of double materiality under CSRD and ESRS E1 and E5 (pages 73–81, 86–93). The following material sustainability matters have been considered:

**E1 Climate change**
Climate change may affect the availability and price of raw materials, energy, and water, which could increase the H&M group's cost of goods sold. Extreme weather and rising temperatures may also cause disruptions in production and distribution, as well as impact the value of physical assets. In addition, climate legislation, such as carbon taxes, may lead to higher production costs, particularly for supplier's dependent on fossil fuels.

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 2025. 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.

In 2025, the H&M group allocated a total of SEK 1,662 m, thereof SEK 300 m CapEx, to climate transition actions, including the installation of energy-efficient equipment, energy audits, increased use of renewable electricity through long-term power purchase agreements (PPAs). This has been categorised under cost of goods sold, inventories, prepaid expenses, other receivables, selling expenses, and administrative expenses. Of the total amount, SEK 1,245 m is included in E5.

Funding is provided to supplier factories to enable investments to reduce energy demand and replace fossil fuels. For 2025, this funding accounted for as long-term receivables, other receivables, and prepaid expenses.

**E4 Biodiversity and ecosystems**
The H&M group collaborates with WWF on landscape restoration in South Africa and India. The total amounts to SEK 3 m. This has been categorised under administrative expenses and prepaid expenses.

**E5 Resource use and circular economy**
Environmental and geopolitical factors, such as resource scarcity and changing trade flows, may affect the availability of raw materials and lead to increased costs for procurement, production, and energy. At the same time, stricter regulations regarding the management of product and packaging waste may result in additional costs and financial penalties in cases of non-compliance.

The H&M group has taken action to increase the use and availability of sustainably sourced materials in the products and packaging. The total amounts to SEK 1,245 m. This has been categorised under cost of goods sold, inventory, prepaid expenses, selling expenses, and administrative expenses. Of the total amount, SEK 1,245 m is included in E1.

Investments have also been made in resale services that promote product durability and increased circulation of products. The total amounts to SEK 1,166 m. This has been categorised under inventory, prepaid expenses, selling expenses, and administrative expenses.

**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 2025.

**Estimates 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 refers 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

## 1 cont.

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 kronor, 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 and board of directors 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.

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 and financial liabilities 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 20,908 m (17,340). As of the closing date, loans and leases amounted to SEK 77,547 m (76,954). 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 209 m (173) and would increase interest expense for external borrowing and leases by SEK 775 m (770). A corresponding decrease in the interest rate would decrease interest income by the same amount and would decrease interest expense by the same amount 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 valued at amortised cost.

The group's exposure to the reform of interbank offered rates (IBOR) is limited. As of 30 November 2025 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.



## 2 cont.

**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 an effect on the hedging reserve in equity of around SEK –144 m (–22) before taking into account the tax effect, of which SEK 763 m (907) relates to EUR and SEK –1,478 m (–2,028) 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 104 m (–136).

**Transaction exposure associated with commercial flows**

Payment flows in the form of payments in foreign currencies for accounts receivable and accounts 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. 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 6,014 m (6,329) and a weakening would have a positive effect of SEK 6,014 m (6,329). 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 | 2025 | 2024 |
|---|---|---|
| EUR | 39,693 | 38,671 |
| GBP | 7,528 | 8,636 |
| USD | –60,137 | –63,291 |
| Other | 29,116 | 33,284 |

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 current 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 2025 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 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 2025 equals the book value for cash and cash equivalents of SEK 20,908 m (17,340), accounts receivable of SEK 6,411 m (5,631), derivative instruments of SEK 503 m (1,224), and other non-current receivables of SEK 775 m (859), totalling SEK 28,597 m (25,054).

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.

| 2025 | Derivative assets | Derivative liabilities |
|---|---|---|
| Gross amount | 503 | 358 |
| Effect of netting agreements | –324 | –324 |
| Net position | 179 | 34 |

| 2024 | Derivative assets | Derivative liabilities |
|---|---|---|
| Gross amount | 1,224 | 665 |
| Effect of netting agreements | –628 | –628 |
| Net position | 596 | 37 |

**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 through continuous forecasting of business needs. 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 20,908 m (17,340) as of 30 November 2025. Cash and cash equivalents, short-term investments and undrawn credit facilities totalled SEK 40,588 m (35,756). The group's cash flow from operating activities including changes in working capital closely match its current liabilities in terms of maturity structure, and are assessed to cover the group's overall needs according to the following maturity analysis.

The table below shows the group's reported financial liabilities divided by the time remaining until the contractual maturity date on the balance sheet date.

**Maturity analysis of financial liabilities**

| Financial liabilities | <1 year | 1–5 years | >5 years | Total |
|---|---|---|---|---|
| Liabilities to credit institutions | 2,345 | 12,863 | 5,467 | 20,675 |
| Lease liability | 11,970 | 28,202 | 16,700 | 56,872 |
| Accounts payable | 20,826 | – | – | 20,826 |
| Other financial liabilities | 1 | – | – | 1 |
| **Total** | **35,142** | **41,065** | **22,167** | **98,374** |

As of 30 November 2025 the group had interest-bearing liabilities of SEK 20,675 m (14,117) in the form of commercial papers, bonds, and loans from credit institutions. In addition, the group has undrawn credit facilities of SEK 19,680 m (18,416). The average maturity of interest-bearing liabilities and undrawn credit facilities was 5.2 (5.3) years. A maturity analysis for outstanding interest-bearing liabilities and undrawn credit facilities is given in the following table.

## 2 cont.

| Year | Bonds (EMTN) | Loans from credit institutions | Undrawn credit facilities |
|---|---|---|---|
| 2025 | – | – | – |
| 2026 | – | 2,345 | – |
| 2027 | – | – | 5,467 |
| 2028 | – | 119 | – |
| 2029 | 5,467 | – | 14,213 |
| 2030 | – | 1,500 | – |
| 2031 | 5,777 | – | – |
| 2032 | – | – | – |
| 2033 | 5,467 | – | – |
| **Total SEK m** | **16,711** | **3,964** | **19,680** |

**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. For more information on supply finance arrangements, see note 24.

## 3 Segment reporting

When reporting operating segments for the group, 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.

| | 2025 | 2024 |
|---|---|---|
| **Asia and Oceania** | | |
| External net sales | 26,493 | 28,619 |
| Operating profit | 1,115 | 697 |
| Operating margin, % | 4.2 | 2.4 |
| Assets excluding tax receivables | 9,416 | 11,006 |
| Liabilities excluding tax liabilities | 3,307 | 3,620 |
| Investments in intangible and tangible fixed assets | 636 | 677 |
| Depreciation, amortisation and write-downs | 740 | 850 |
| **Europe and Africa**[1] | | |
| External net sales | 152,794 | 154,060 |
| Operating profit | 5,958 | 5,897 |
| Operating margin, % | 3.9 | 3.8 |
| Assets excluding tax receivables | 27,067 | 28,959 |
| Liabilities excluding tax liabilities | 18,232 | 20,005 |
| Investments in intangible and tangible fixed assets | 4,241 | 4,134 |
| Depreciation, amortisation and write-downs | 2,793 | 2,949 |

1. South Africa

## 3 cont.

| | 2025 | 2024 |
|---|---|---|
| **North and South America** | | |
| External net sales | 48,998 | 51,799 |
| Operating profit | 2,082 | 2,045 |
| Operating margin, % | 4.2 | 3.9 |
| Assets excluding tax receivables | 17,362 | 18,750 |
| Liabilities excluding tax liabilities | 6,941 | 8,056 |
| Investments in intangible and tangible fixed assets | 2,233 | 2,186 |
| Depreciation, amortisation and write-downs | 1,820 | 2,048 |
| **Group Functions** | | |
| Net sales to other segments | 74,546 | 79,071 |
| Operating profit | 9,240 | 8,667 |
| Operating margin, % | 12.4 | 11.0 |
| Assets excluding tax receivables | 109,575 | 113,279 |
| Liabilities excluding tax liabilities | 95,102 | 97,821 |
| Investments in intangible and tangible fixed assets | 3,569 | 4,540 |
| Depreciation, amortisation and write-downs | 15,787 | 16,405 |
| **Eliminations** | | |
| Net sales to other segments | –74,546 | –79,071 |
| **Total** | | |
| **External net sales** | **228,285** | **234,478** |
| **Operating profit** | **18,395** | **17,306** |
| **Operating margin, %** | **8.1** | **7.4** |
| **Net financial items** | **–2,193** | **–1,863** |
| **Profit after financial items** | **16,202** | **15,443** |
| **Assets excluding tax receivables** | **163,420** | **171,994** |
| **Liabilities excluding tax liabilities** | **123,582** | **129,504** |
| **Investments in intangible and tangible fixed assets** | **10,679** | **11,537** |
| **Depreciation, amortisation and write-downs** | **21,140** | **22,252** |

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 204 m (307), as a result of impairment testing, is allocated to segments as follows: Asia and Oceania SEK 0 m (29), Europe and Africa SEK 1 m (3), North and South America SEK 1 m (10), and Group Functions SEK 202 m (265). For further information see note 10.

The group's property, plant and equipment amounted to SEK 82,534 m (86,220) as of 30 November 2025. 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 4,310 m (5,023) in Sweden, to SEK 6,146 m (5,015) in the Czech Republic, to SEK 8,008 m (8,154) in Germany and to SEK 13,529 m (16,574) in the US as of 30 November 2025.



## 4 Business combinations

When reporting acquisitions for the group, 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.

**Acquisitions in 2025**
No acquisitions have been made during 2025.

## 5 Net sales

When reporting revenue for the group, 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.

## 5 cont.

| | 30 Nov 2025 | 30 Nov 2024 |
|---|---|---|
| Contract liabilities | 728 | 944 |

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 2025 | Number of stores 30 Nov 2025 | Net sales 2024 | Number of stores 30 Nov 2024 |
|---|---|---|---|---|
| Germany | 35,895 | 401 | 35,716 | 407 |
| US | 29,080 | 506 | 30,730 | 509 |
| UK | 16,437 | 221 | 17,242 | 228 |
| France | 11,164 | 188 | 11,085 | 188 |
| Sweden | 8,779 | 128 | 8,701 | 133 |
| Poland | 8,574 | 181 | 8,370 | 181 |
| Netherlands | 7,891 | 93 | 7,634 | 100 |
| Italy | 7,177 | 150 | 7,390 | 157 |
| Switzerland | 6,853 | 90 | 6,879 | 90 |
| Canada | 6,177 | 96 | 6,590 | 96 |
| Other | 90,258 | 2,047 | 94,141 | 2,164 |
| **Total** | **228,285** | **4,101** | **234,478** | **4,253** |

## 6 Revenue from group companies

The parent company's internal sales consist of royalties of SEK 2,316 m (2,335) and other income of SEK 23 m (23) 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 include 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 for the group, IAS 19 Employee Benefits is applied.

| 2025 | Salary; board, CEO, executive management | Salary; other employees | Social security costs, total | Of which pension, total | Of which pens.; board, CEO, executive management |
|---|---|---|---|---|---|
| Sweden, parent company | 28 | – | 15 | 6 | 5 |
| Subsidaries | 52 | 34,194 | 7,575 | 763 | 11 |
| **Group total** | **80** | **34,194** | **7,590** | **769** | **16** |

| 2024 | Salary; board, CEO, executive management | Salary; other employees | Social security costs, total | Of which pension, total | Of which pens.; board, CEO, executive management |
|---|---|---|---|---|---|
| Sweden, parent company | 22 | – | 30 | 23 | 5 |
| Subsidaries | 27 | 35,865 | 7,407 | 682 | 7 |
| **Group total** | **49** | **35,865** | **7,437** | **705** | **12** |

**Board fees**
In accordance with the resolution passed at the 2024 AGM, board fees for the year amounted to SEK 8,410,000 (7,950,000) and were paid after the 2025 AGM. The fees were distributed as follows: SEK 1,900,000 (1,850,000) to the chair of the board, SEK 825,000 (800,000) to board members elected by the AGM, as additional SEK 210,000 (200,000) to members of the audit committee and an additional SEK 315,000 (300,000) to the chair of the committee.

The AGM decides on board fees for a period of one year until the next AGM. The amounts decided on the 2024 AGM were paid out after the 2025 AGM. As of the AGM on 7 May 2025 the board consists of eight ordinary members elected by the AGM. There are also three employee representatives, with three deputies for these positions. Seven members of the board are women and seven 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 the H&M group during the year. The transactions took place on market terms and remuneration for 2025 amounted to SEK 22 m (27). Outstanding balances as of 30 November 2025 totalled SEK 0.4 m (3.4).

**Remuneration of senior executives**
Remuneration of senior executives is based on guidelines adopted annually by the AGM; see the administration report on pages 133–134.

**Remuneration of the chief executive officer**
Remuneration paid to the CEO during financial year 2025 in the form of salary and benefits amounted to SEK 15.8 m (15.1). In respect of financial year 2025, the CEO received a short-term variable remuneration of SEK 5.5 m (5.0) of which the short-term variable remuneration was expensed in the first quarter of 2026. Furthermore, during financial year 2025, a long-term variable remuneration of SEK 0.6 m attributable to long-term variable remuneration 2021 was paid and expensed. 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 4.7 m (4.5). The retirement age for the CEO is 65. In addition, the cost of the H&M group's equity settled long-term incentive program (LTIP 2025) recognised during the financial year for the CEO amounted to SEK 1.3 m. This amount represents the IFRS 2 expense for share-based payments allocated to the CEO during the year. The details of the LTIP are disclosed below.

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 104.7 m (112.9). The change in the year's pension commitments recognised as liabilities includes actuarial loss of SEK 1.8 m (–13.0). 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 2025 the executive management in the group comprised of 6 (3) men and 5 (4) women, of which 1 (1) man and 0 (0) women in the parent company. In addition to the CEO, the executive management team consists of the CFO, chief human resources officer, chief sales officer, ceo for portfolio brands, chief marketing officer, chief sustainability officer, chief product officer, chief commercial development officer, chief strategy and innovation officer and chief digital information officer.

Remuneration paid to members of the executive management team, other than the CEO, during financial year 2025 in the form of salary and benefits amounted to SEK 45.0 m (27.1). In respect of the financial year 2025, members of the executive management team, other than the CEO, received a short-term variable remuneration and one-off remuneration of SEK 15.2 m (6.5) of which the short-term variable remuneration was expensed in the first quarter of 2026. The increase in salaries, benefits and short-term variable remuneration compared with the previous year is mainly due to a higher number of people in the executive management team. Furthermore, during financial year 2025, a long-term variable remuneration of SEK 8.5 m attributable to long-term variable remuneration 2021 was paid and expensed. Pension expenses relating to the executive management team, other than the CEO, during the year amounted to SEK 10.8 m (7.4). 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. In addition, the cost of the H&M group's equity settled long-term incentive program (LTIP 2025) recognised during the financial year for the executive management team, other than the CEO amounted to SEK 3.1 m. This amount represents the IFRS 2 expense for share-based payments allocated to the executive management team during the year. The details of the LTIP are disclosed below.

**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.



## 8 cont.

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 2025 a contribution of SEK 20 m (236) was made to the incentive programme, based on the principle for contributions to HIP adopted at the 2013 AGM and described above.

**Long-term incentive program (LTIP)**
The following text describes the long-term incentive programme for the CEO, the executive management team, and other key senior leaders within the H&M group, as the programme was adopted at the annual general meeting on 7 May 2025 and subsequently communicated.

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

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

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

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

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

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

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

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

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

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

Furthermore, the outcome of the performance share awards is subject to the satisfaction of performance criteria related to three-year performance criteria linked to the development of the group's operating profit[1], total shareholders return on the H&M share ("**absolute TSR**"[2]) and environmental, social and governance ("**ESG**"), which will determine the extent (if any) to which performance share awards grant participants the right to receive performance shares at the end of the vesting period.

Information on the outcome of the performance criteria will be provided no later than in the remuneration report for the financial year 2027.

**Performance criterion for the group's operating profit**
45 percent of the performance share awards allocated to a participant will be conditional on the fulfilment of a performance condition relating to the development of the group's operating results during the period 1 December 2024–30 November 2027 (the "**performance period**"). The performance criterion set by the board of directors for

1. Operating profit defined as profit calculated based on a constant exchange rate (SEK/local currency) over the performance period, and before interest and taxes.
2. Absolute Total Shareholder Return, i.e. share price development including dividends.

## 8 cont.

the development of the group's operating profit during the performance period will stipulate a minimum level and a maximum level. The target for the development of the group's operating profit during the performance period is not disclosed due to capital market and competition considerations. The board of directors will determine the outcome of the performance share awards related to the performance criterion for the development of the group's operating profit during the performance period when the audited financial statement for the financial year 2027 is available.

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

### Performance criterion related to absolute TSR development

45 percent of the performance share awards allocated to a participant will be subject to fulfilment of an absolute TSR development. The volume-weighted average closing price of H&M shares on Nasdaq Stockholm during the 90-day period from 1 December 2024 to 1 December 2027 shall be used to measure the start and end point for the annual absolute TSR. The measurement shall include estimated dividends during the period from the start to the end point. If the absolute TSR development during the performance period reaches or exceeds an average annual growth rate of 14 percent, the maximum vesting of 100 percent of the performance share awards related to the absolute TSR will occur. If the absolute TSR development corresponds to an annual growth rate (per annum compounded) of 6 percent or lower, no vesting will occur with respect to the performance share awards related to absolute TSR. If the company's absolute TSR development corresponds to an annual growth rate (per annum compounded) between 6 and 14 percent, the vesting of the performance share awards related to absolute TSR will be determined linearly pro-rata between 0 and 100 percent.

### ESG – Reducing greenhouse gas emissions

10 percent of the performance share awards allocated to a participant will be conditional upon the company reducing its absolute $CO_2e$ emissions within Scope 1 and 2[3] by 55 to 60 percent and Scope 3[3] by 35 to 40 percent compared to the 2019 level by 30 November 2027. These targets are part of achieving H&M's communicated climate targets for 2030. If the performance outcome is below the maximum level set by the board of directors but exceeds the minimum level for both Scope 1 and 2 as well as Scope 3, shares will be allocated on a linear pro rata basis with a weighting of 10 percent for Scope 1 and 2 and 90 percent for Scope 3. No allocation for the performance criterion will be made if the outcome for both Scope 1 and 2 as well as Scope 3 is at or below the minimum level.

### Allocation of shares

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

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

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

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

### Costs

The total effect on the income statement of LTIP 2025, assuming that all performance share awards are allocated, is estimated to amount to approximately SEK 153 million, distributed over the years 2025–2027. The cost includes an assumption of 21 percent of social security contributions, maximum outcome for all performance criteria, maximum allocation of performance share awards and a share price at the time of allocation of SEK 145 and a share price after three years at the time of exercise of SEK 214[4]. The costs will be reported in accordance with IFRS2 and will depend on the future development of the price of H&M B share.

### Dilution

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

### Resolution on transfer of treasury shares to employees

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

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

3. For definitions see page 189.
4. The cost of social security contributions has been calculated based on the average percentage of social security contributions given the intended allocation by geography (21 percent). The calculation assumes that all performance shares are allocated and that the share price at the time of exercise is SEK 214.



## 8 cont.

### Valuation and Cost Impact

For the H&M group, LTIP is classified as an equity settled share-based payment under IFRS 2. The fair value of the granted shares is determined at the grant date and is expensed over the three-year vesting period. At each reporting date, the group reviews and updates its estimates of the number of shares expected to vest. Any changes to these estimates are recognised in the income statement, with a corresponding adjustment to the equity.

In addition, the group recognises a provision for employer social security contributions expected to be incurred in connection with the LTIP. These costs are expensed over the vesting period and remeasured at each reporting date based on the fair value of the underlying shares. The fair value of the performance shares granted during the year has been determined using the GBM Monte Carlo simulation model. The model incorporates assumptions and input parameters such as, fair value measurement date, end date, estimated payment date, time to maturity, reference price calculation method, final price averaging, measurement date share price, volatility, risk-free rate, ex-dividend adjustment factor, expected annual dividends and expected annual dividend yield, dividend adjustment factor and historical volatility calculation period. A total of 100,000 simulations were used to determine the Monte Carlo fair value.

For the financial year ended 30 November 2025, the H&M group recognised an expense of SEK 6.6 m related to the LTIP under IFRS 2 (excluding social security costs). The related provision for social security contributions amounted to SEK 2.3 m. For LTIP cost related to CEO and senior executive management refer to the sections above.

| Number of performance shares | 2025 |
|---|---|
| At the beginning of the year | – |
| Granted during the year | 627,171 |
| Forfeited during the year | – |
| Vested during the year | – |
| At the end of the year | 627,171 |
| Weighted average share price at the grant date, SEK | 132,90 |

## 9 Average number of employees

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Total | % male | Total | % male |
| Sweden | 8,509 | 28 | 9,525 | 28 |
| Norway | 1,524 | 8 | 1,441 | 8 |
| Denmark | 1,344 | 10 | 1,303 | 9 |
| UK | 5,705 | 27 | 6,188 | 26 |
| Switzerland | 1,596 | 16 | 1,617 | 17 |
| Germany | 10,573 | 17 | 10,219 | 16 |
| Netherlands | 2,097 | 17 | 2,083 | 17 |
| Belgium | 1,693 | 29 | 1,831 | 30 |
| Austria | 1,639 | 10 | 1,714 | 12 |
| Luxembourg | 196 | 12 | 195 | 15 |
| Finland | 625 | 5 | 677 | 5 |
| France | 4,247 | 23 | 4,276 | 21 |
| US | 9,246 | 32 | 9,979 | 32 |
| Spain | 2,612 | 21 | 3,304 | 20 |
| Poland | 6,978 | 20 | 6,453 | 19 |
| Czech Republic | 996 | 13 | 1,093 | 13 |
| Portugal | 499 | 15 | 519 | 14 |
| Italy | 2,880 | 26 | 3,114 | 25 |
| Canada | 2,143 | 32 | 2,128 | 50 |
| Slovenia | 166 | 6 | 169 | 5 |
| Ireland | 368 | 18 | 369 | 19 |
| Hungary | 808 | 14 | 864 | 15 |
| Slovakia | 337 | 11 | 335 | 12 |
| Greece | 944 | 16 | 948 | 16 |
| Mainland China | 3,957 | 19 | 4,782 | 20 |
| Hong Kong SAR | 300 | 35 | 376 | 33 |
| Japan | 1,720 | 24 | 1,521 | 18 |
| Russia[1] | 0 | – | 5 | 20 |
| South Korea | 1,072 | 24 | 1,232 | 25 |
| Türkiye | 1,388 | 38 | 1,521 | 38 |
| Romania | 950 | 7 | 936 | 8 |
| Croatia | 300 | 5 | 276 | 6 |

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Total | % male | Total | % male |
| Singapore | 368 | 34 | 403 | 34 |
| Bulgaria | 300 | 11 | 315 | 12 |
| Latvia | 114 | 9 | 107 | 13 |
| Malaysia | 657 | 49 | 763 | 49 |
| Mexico | 2,394 | 44 | 2,309 | 45 |
| Chile | 1,841 | 42 | 1,932 | 40 |
| Lithuania | 194 | 10 | 208 | 9 |
| Serbia | 239 | 13 | 232 | 14 |
| Estonia | 184 | 7 | 207 | 5 |
| Australia | 1,120 | 26 | 979 | 27 |
| Philippines | 721 | 48 | 666 | 29 |
| Taiwan | 282 | 29 | 306 | 36 |
| Peru | 733 | 45 | 664 | 43 |
| India | 3,031 | 62 | 2,828 | 61 |
| South Africa | 1,002 | 35 | 969 | 35 |
| Puerto Rico | 76 | 37 | 60 | 30 |
| Cyprus | 43 | 28 | 54 | 28 |
| New Zealand | 249 | 27 | 228 | 25 |
| Kazakhstan | 293 | 30 | 312 | 44 |
| Colombia | 1,109 | 40 | 1,089 | 42 |
| Iceland | 90 | 17 | 100 | 16 |
| Vietnam | 240 | 40 | 260 | 42 |
| Georgia | 94 | 6 | 92 | 10 |
| Ukraine | 369 | 21 | 371 | 23 |
| Uruguay | 253 | 25 | 231 | 27 |
| Bosnia-Herzegovina | 52 | 8 | 40 | 8 |
| North Macedonia | 47 | 13 | 38 | 18 |
| Ecuador | 595 | 43 | 462 | 58 |
| Kosovo | 52 | 6 | 43 | 16 |
| Albania | 28 | 7 | 26 | 4 |
| Other countries | 561 | 54 | 423 | 76 |
| **Total** | **94,744** | **26** | **97,710** | **26** |

1. The business in Russia was wound down during financial year 2022.

## 10 Depreciation, amortisation and write-downs

When reporting impairment of assets for the group, 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. The group applies component depreciation, which means that depreciation is based upon the estimated useful lives of the components. Depreciation and amortisation for the year are reported in the income statement in accordance with the table below.

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Cost of goods sold | 2,243 | 2,307 | – | – |
| Selling expenses | 18,004 | 19,112 | – | – |
| Administrative expenses | 893 | 833 | 10 | 10 |
| **Total**[1] | **21,140** | **22,252** | **10** | **10** |

1. Of which write-downs and losses at disposals for the group of SEK 714 m (654) and SEK 0 m (0) for the parent company.

Depreciation relating to right-of-use assets is included above in the amount of SEK 12,488 m (13,014) for the group, which breaks down as follows: cost of goods sold SEK 1,220 m (1,262), selling expenses SEK 10,821 m (11,322) and administrative expenses SEK 447 m (430).

The carrying amount of property, plant and equipment including right-of-use assets, as well as intangible assets with a definite useful life, 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 2 m (41) for equipment, tools, fixture and fittings and SEK 181 m (256) for right-of-use assets for 2025, excluding stores where a decision to close was taken prior to year-end, and is recognised mainly as selling expenses. 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 405 m (290) 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 goodwill of the group is allocated to two cash-generating units. These consist of the operations conducted within the brands that were part of the acquisitions of Fabric Scandinavien AB and Sellhelp AB respectively. The value in use has been calculated based on discounted cash flows according to forecasts for the next five years with an annual growth rate of 2 percent (2) in subsequent years. A discount rate of 12 percent (12) before tax was used. The cash flows are based on the H&M group's business plan. The growth rate is based on the H&M group's assessment of the opportunities and risks associated with the businesses. 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.

Goodwill attributable to the operations conducted within the brands that were part of the acquisition of Fabric Scandinavien AB amounts to SEK 64 m (64) and that were part of the acquisition of Sellhelp AB amounts to SEK 949 m (949). No need for impairment of goodwill has been identified for financial year 2025 (0).

## 11 Audit fees

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| **Deloitte** | | | | |
| Statutory audit | 66.0 | 63.1 | 14.5 | 14.4 |
| Auditing other than statutory audit | 10.9 | 8.1 | – | – |
| Tax consultancy | 4.0 | 1.3 | – | – |
| Other consultancy | 2.0 | 3.9 | – | 0.7 |
| **Other auditors** | | | | |
| Statutory audit | 4.2 | 1.0 | – | – |
| **Total** | **87.1** | **77.4** | **14.5** | **15.1** |



## 12 Tax

When reporting taxes for the group, 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 0 m (250). 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.

Pillar Two legislation has been enacted in Sweden and applies as from financial year 2025. The H&M group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, provided in the amendments to IAS 12. The current tax expense related to Pillar Two income taxes is not material.

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| **Tax expense (–) / tax income (+):** | | | | |
| Current tax | | | | |
| Tax expense for the period | –4,305 | –3,809 | –291 | –186 |
| Adjusted tax expense for previous years | 216 | 130 | 0 | –22 |
| **Subtotal** | **–4,089** | **–3,679** | **–291** | **–208** |
| **Deferred tax income (+) / tax expense (–) in respect of:** | | | | |
| Stock-in-trade | –70 | –19 | – | – |
| Loss carryforwards in subsidiaries | –63 | –34 | – | – |
| Pension provisions | 4 | 8 | –6 | –9 |
| Intangible non-current assets | 190 | 179 | – | – |
| Property, plant and equipment | 180 | 15 | – | – |
| Rent-related provisions | –247 | –7 | – | – |
| Other temporary differences | –19 | –79 | – | – |
| Remeasurements of deferred tax assets/liabilities | –3 | –243 | – | – |
| **Subtotal** | **–28** | **–180** | **–6** | **–9** |
| **Total** | **–4,117** | **–3,859** | **–297** | **–217** |
| **Deferred tax recognised in other comprehensive income in respect of:** | | | | |
| Hedging reserves | –106 | 121 | – | – |
| Defined benefit pension plans | –14 | 18 | – | – |
| **Total** | **–120** | **139** | – | – |
| **Reconciliation between current tax rate and effective tax rate:** | | | | |
| Expected tax expense according to the Swedish tax rate of 20.6% | –3,338 | –3,181 | –2,671 | –2,259 |
| Difference in foreign tax rates | –534 | –323 | – | – |
| Non-deductible/non-taxable | –358 | –182 | –3 | –7 |
| Other | –100 | –60 | – | – |
| Tax for previous years | 216 | 130 | 0 | –22 |
| Tax-free dividend subsidiaries | – | – | 2,377 | 2,071 |
| Remeasurements of deferred tax assets/liabilities | –3 | –243 | – | – |
| **Total** | **–4,117** | **–3,859** | **–297** | **–217** |

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| **Recognised deferred tax assets relate to:** | | | | |
| Stock-in-trade | 275 | 293 | – | – |
| Loss carryforwards in subsidiaries | 143 | 230 | – | – |
| Pension provisions | 108 | 115 | 59 | 65 |
| Intangible non-current assets | 138 | 162 | – | – |
| Property, plant and equipment | 1,772 | 1,683 | – | – |
| Lease liabilities | 14,218 | 15,645 | – | – |
| Rent-related provisions | 988 | 1,232 | – | – |
| Hedging reserves | – | 122 | – | – |
| Other temporary differences | 1,253 | 1,461 | – | – |
| **Total** | **18,895** | **20,943** | **59** | **65** |
| Amounts offset against deferred tax liabilities pursuant to offsetting rules | –14,218 | –15,553 | | |
| **Net deferred tax assets** | **4,677** | **5,390** | | |
| **Recognised deferred tax liabilities relate to:** | | | | |
| Stock-in-trade | 160 | 179 | | |
| Pension provisions | – | 0 | | |
| Intangible non-current assets | 370 | 566 | | |
| Property, plant and equipment | 855 | 969 | | |
| Right-of-use assets | 14,240 | 15,553 | | |
| Rent-related provisions | 15 | 18 | | |
| Hedging reserves | 138 | 218 | | |
| Other temporary differences | 393 | 292 | | |
| **Total** | **16,171** | **17,795** | | |
| Amounts offset against deferred tax assets pursuant to offsetting rules | –14,218 | –15,553 | | |
| **Net deferred tax liabilities** | **1,953** | **2,242** | | |

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 for the group, 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 2025 the result attributable to non-controlling interests amounts to SEK –73 m (–37) and the accumulated amount attributable to non-controlling interests within equity is SEK 26 m (69).

## 14 Intangible assets

When reporting intangible assets for the group, 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 2016–2025, corresponding to around 78 percent (85) 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 the income statement.

For information about impairment, see note 10.

## 14 cont.

| | Group | |
|---|---|---|
| | 2025 | 2024 |
| **Brands** | | |
| Opening acquisition cost | 500 | 500 |
| **Closing acquisition cost** | **500** | **500** |
| Opening amortisation and write-downs | –100 | –50 |
| Amortisation for the year | –50 | –50 |
| **Closing accumulated amortisation and write-downs** | **–150** | **–100** |
| **Closing book value** | **350** | **400** |
| **Leasehold and similar rights** | | |
| Opening cost | 1,116 | 1,057 |
| Acquisitions during the year | 43 | 71 |
| Sales/disposals | –7 | –15 |
| Translation effects | –94 | 3 |
| **Closing cost** | **1,058** | **1,116** |
| Opening amortisation and write-downs | –910 | –837 |
| Sales/disposals | 4 | 14 |
| Amortisation and write-downs for the year | –64 | –83 |
| Translation effects | 106 | –4 |
| **Closing accumulated amortisation and write-downs** | **–864** | **–910** |
| **Closing book value** | **194** | **206** |
| Opening value, projects in progress | 17 | 8 |
| Change for the year | 30 | 9 |
| Translation effects | –2 | 0 |
| **Closing value, projects in progress** | **45** | **17** |
| **Closing book value incl. projects** | **239** | **223** |
| **Capitalised development expenditure** | | |
| Opening cost | 16,670 | 15,856 |
| Acquisitions during the year | 1,366 | 1,370 |
| Write-downs | –408 | –556 |
| **Closing cost** | **17,628** | **16,670** |
| Opening amortisation and write-downs | –9,576 | –7,890 |
| Amortisation for the year | –2,127 | –2,094 |
| Write-downs | 220 | 408 |
| Closing accumulated amortisation and write-downs | –11,483 | –9,576 |
| **Closing book value** | **6,145** | **7,094** |
| **Goodwill**[1] | | |
| Opening book value | 1,013 | 1,013 |
| **Closing book value** | **1,013** | **1,013** |

1. 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 for the group, IAS 16 Property, Plant and Equipment is applied.

Expenditure relating to property, plant and equipment are 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 are reported as an expense in the period in which they arise. 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 | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| **Buildings** | | | | |
| Opening cost | 1,268 | 1,241 | 185 | 185 |
| Translation effects | –55 | 27 | – | – |
| Closing cost | 1,213 | 1,268 | 185 | 185 |
| Opening depreciation and write-downs | –737 | –683 | –81 | –76 |
| Sales/disposals | 0 | 0 | – | – |
| Depreciation for the year | –36 | –36 | –5 | –5 |
| Translation effects | 34 | –18 | – | – |
| Closing accumulated depreciation and write-downs | –739 | –737 | –86 | –81 |
| **Closing book value** | **474** | **531** | **99** | **104** |
| **Land** | | | | |
| Opening cost | 134 | 131 | 7 | 7 |
| Translation effects | –6 | 3 | – | – |
| **Closing cost** | **128** | **134** | **7** | **7** |
| **Equipment** | | | | |
| Opening cost | 76,033 | 69,610 | 181 | 181 |
| Acquisitions during the year | 7,620 | 7,203 | 1 | 0 |
| Sales/disposals | –2,302 | –2,436 | – | – |
| Translation effects | –6,662 | 1,656 | – | – |
| **Closing cost** | **74,689** | **76,033** | **182** | **181** |
| Opening depreciation and write-downs | –54,403 | –49,035 | –162 | –157 |
| Sales/disposals | 1,982 | –2,228 | – | – |
| Write-downs for the year | –2 | –40 | – | – |
| Depreciation for the year | –5,661 | –6,296 | –5 | –5 |
| Translation effects | 4,872 | –1,260 | – | – |
| Closing accumulated depreciation and write-downs | –53,212 | –54,403 | –167 | –162 |
| **Closing book value** | **–21,477** | **–21,630** | **15** | **–19** |
| Opening value, projects in progress | 6,863 | 3,978 | – | – |
| Change for the year | 1,629 | 2,952 | 3 | – |
| Translation effects | –131 | –67 | – | – |
| Closing value, projects in progress | 8,361 | 6,863 | 3 | – |
| **Total closing book value** | **29,838** | **28,493** | **18** | **19** |

## 16 Interests in associates and joint ventures

When reporting shares in associated companies and joint ventures for the group, IAS 28 Investments in Associates and Joint Ventures is applied.

Companies where the group has significant interest, generally companies where the group holds between 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 | |
|---|---|---|
| | 2025 | 2024 |
| **Joint ventures** | | |
| Opening balance | 13 | 50 |
| New investments | – | 0 |
| Reclassification | – | –39 |
| Share of result | 0 | 2 |
| **Closing balance** | **13** | **13** |

| | Group | |
|---|---|---|
| | 2025 | 2024 |
| **Associated companies** | | |
| Opening balance | 246 | 159 |
| New investments | 1 | 127 |
| Reclassification | – | 39 |
| Share of result | –134 | –79 |
| **Closing balance** | **113** | **246** |

| 2025 | Corporate id number | Domicile | Share % | Share of Result, SEK m |
|---|---|---|---|---|
| **Joint ventures** | | | | |
| Looper Textile Co. Global AB | 559417-7841 | Sweden | 50.0 | 0 |
| **Associated companies** | | | | |
| Syre Impact AB | 559421-7969 | Sweden | 42.8 | –107 |
| TreeToTextile AB | 556989-2648 | Sweden | 22.6 | –27 |

| 2024 | Corporate id number | Domicile | Share % | Share of Result, SEK m |
|---|---|---|---|---|
| **Joint ventures** | | | | |
| Looper Textile Co. Global AB | 559417-7841 | Sweden | 50.0 | 13 |
| **Associated companies** | | | | |
| Syre Impact AB[1] | 559421-7969 | Sweden | 42.8 | –54 |
| TreeToTextile AB | 556989-2648 | Sweden | 29.2 | –25 |

1. Reclassification to associated company as of 31 May 2024.

## 17 Leases

When reporting leasing contracts for the group, 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 4,100 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 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 contract regardless of break rights. 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 reflects 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 12,328 m (12,631) for financial year 2025.

The amounts attributable to leasing activities that were recognised in the income statement during the year are presented below.

| | Group | |
|---|---|---|
| SEK m | 2025 | 2024 |
| Depreciation of right-of-use assets | 12,488 | 13,014 |
| Write-down of right-of-use assets | 202 | 288 |
| Interest expense for lease liabilities | 1,982 | 1,993 |
| Expense for variable lease payments | 6,670 | 7,107 |
| Other miscellaneous lease related charges | 1,308 | 1,032 |
| **Total expense attributable to leasing activities** | **22,650** | **23,434** |

The group divides its leases into three classes of right-of-use assets: 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 | Warehouses | Offices | Total | Lease liability |
| **Opening balance 1 Dec 2024** | **49,405** | **4,497** | **3,160** | **57,062** | **62,837** |
| Gross increase during the period | 7,648 | 3,562 | 6 | 11,216 | 11,622 |
| Depreciation of right-of use-assets | –10,821 | –1,220 | –447 | –12,488 | |
| Write-down of right-of-use assets | –181 | – | –21 | –202 | |
| Translation differences | –3,069 | –410 | –15 | –3,494 | –4,727 |
| Interest expense for lease liability | | | | | 1,982 |
| Principal repayment of lease liability | | | | | –14,842 |
| **Closing balance 30 Nov 2025** | **42,982** | **6,429** | **2,683** | **52,094** | **56,872** |

| | Right-of-use assets | | | | |
|---|---|---|---|---|---|
| SEK m | Stores | Warehouses | Offices | Total | Lease liability |
| **Opening balance 1 Dec 2023** | **49,120** | **4,826** | **2,762** | **56,708** | **60,888** |
| Gross increase during the period | 10,593 | 838 | 767 | 12,198 | 13,569 |
| Depreciation of right-of use-assets | –11,322 | –1,262 | –430 | –13,014 | |
| Write-down of right-of-use assets | –288 | – | – | –288 | |
| Translation differences | 1,302 | 95 | 61 | 1,458 | 1,589 |
| Interest expense for lease liability | | | | | 1,993 |
| Principal repayment of lease liability | | | | | –15,202 |
| **Closing balance 30 Nov 2024** | **49,405** | **4,497** | **3,160** | **57,062** | **62,837** |

A maturity analysis of the group's lease liabilities recognised in the balance sheet is presented below.

| | Group | |
|---|---|---|
| SEK m | 2025 | 2024 |
| **Rental commitments** | | |
| In next 12 months | 11,969 | 12,476 |
| In next one to three years | 19,501 | 19,038 |
| In next three to five years | 8,702 | 10,348 |
| More than five years ahead | 16,700 | 20,975 |
| **Total** | **56,872** | **62,837** |



## 18 Stock-in-trade

When reporting stock in trade for the group, 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 the H&M group's reported stock-in-trade. Goods that have not yet arrived at a warehouse are valued at their actual purchase cost including the estimated cost of customs duties and shipping.

The H&M group measures inventories at cost. The cost is determined using the weighted average cost method. The H&M group has completed its transition from measuring inventories at selling price less estimated gross margin to measuring inventories at cost based on weighted average prices for all applicable markets and sales channels. This change has not had a material impact on the consolidated financial statements. A minor portion of the H&M group's inventories is measured at the cost of conversion, including time spent and other processing costs, for goods that are available or will be made available for sale.

Stock-in-trade amounted to SEK 35,427 m (40,348), a 12 percent decrease in SEK compared with the same point in time last year. In local currencies there was a 5 percent decrease.

Estimations are made to value the stock-in-trade to net realisable value, to assess potential need of 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 H&M group's asset for rights of return does not increase stock-in-trade by a material amount.

The stock-in-trade amounted to 20.8 percent (22.4) of total assets and 15.5 percent (17.2) of net sales.

## 19 Prepaid expenses

| | Group | | Parent company | |
|---|---|---|---|---|
| SEK m | 2025 | 2024 | 2025 | 2024 |
| Prepaid rent | 1,553 | 2,635 | – | – |
| Other items | 1,750 | 1,288 | 168 | 111 |
| **Total** | **3,303** | **3,923** | **168** | **111** |

## 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.

The 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 | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Cash and bank balances | 19,967 | 16,352 | 0 | – |
| Short-term investments, 0–3 months | 941 | 988 | – | – |
| **Total** | **20,908** | **17,340** | **0** | – |

Investments are made on market terms and the interest rates are between 0 and 41.35 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

## 21 Share capital

The share capital as per 30 November 2025 is divided between 194,400,000 class A shares (10 votes per share) and 1,410,091,375 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 1,604,491,375.

Following implementation of the resolution passed by the annual general meeting on 7 May 2025 the 6,050,850 class B treasury shares repurchased during 2024 as part of the H&M group's buyback programme were cancelled. During 2024 the board of directors decided to utilise the authorisation granted by the 2024 annual general meeting and in September 2024 began a SEK 1 billion share buyback programme. As at 30 November 2024 a total of 6,050,850 B shares in H&M had been repurchased for a sum of SEK 1 billion and the programme was completed on 26 November 2024. Per 30 November 2024 the number of shares outstanding, excluding own shares, was 1,604,491,375.

During the period 26 June–17 July 2025 the group repurchased shares as authorised by the 2025 annual general meeting to secure delivery of class B shares within the framework of the company's long-term incentive programme (LTIP 2025). In total 1,100,000 class B shares were repurchased for a total sum of SEK 149,421,284.42.

The board of directors decided to initiate a SEK 1 billion share buyback programme on 21 November 2025 in order to distribute surplus liquidity and thereby adjust the company's capital structure. As at 30 November 2025, in total 953,000 class B shares in H&M had been repurchased for a total of SEK 164,736,283.60. The share buyback programme was completed on 23 January 2026. It is intended that the shares repurchased will be cancelled through a resolution at the 2026 annual general meeting. As at 30 November 2025 the number of shares outstanding, excluding own shares, is 1,602,438,375. In financial year 2025 a dividend of SEK 10,906 m was distributed.

The H&M 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 for the group, 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. Reported deficits are secured in the group's other assets. Furthermore, surpluses in plans in certain countries cannot be offset against those in countries that have deficits.

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.

The H&M group is exposed to several actuarial risks related to its defined benefit pensions plans. One of the identified risks are connected to interest rate risk, as the pension obligations are measured using market yields on high-quality corporate or government bonds. Changes in these rates affect the present value of the obligations as well as the net interest income or expense recognised in the income statement. Inflation risk is also relevant, since certain pension obligations are linked to inflation. Higher inflation results in increased future payments and therefore higher liabilities. Inflation assumptions are influenced by the macroeconomic environment and are based, among other factors, on the long-term inflation targets set by central banks. Another key risk is life expectancy risk, as most of the H&M group's pension plans provide lifelong benefits to members. An increase in life expectancy will therefore lead to higher pension liabilities.

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. The prerequisites for reporting ITP 2 in Alecta as a defined benefit plan are not met. For the majority of earned pension benefits, Alecta does not possess information regarding the allocation of these benefits across an individual's various employers. Instead, all earned benefits are registered with the final employer. Consequently, Alecta is unable to determine an exact distribution of assets and liabilities attributable to each employer. In relation to Alecta, there is no comprehensive, established framework governing the treatment of potential losses. However, such losses are primarily covered by Alecta's collective consolidation capital and therefore do not result in increased costs for employers through higher contractual premiums. As of 30 September 2025, Alecta's consolidation ratio was 167 percent (163). 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. The expected contributions to ITP 2 for the next annual reporting period is estimated at SEK 176 m (190). The ITP 1 plan is a defined contribution plan. See also note 8 for information on pension to a former CEO.

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Present value of defined benefit obligations | 2,157 | 2,251 | 119 | 131 |
| Fair value of managed assets | –1,768 | –1,780 | –3 | –3 |
| **Provisions for pension obligations recognised in the balance sheet** | **389** | **471** | **116** | **128** |
| Opening balance 1 December | 2,251 | 1,912 | 131 | 125 |
| Recognised pension expenses, net | 2 | 418 | 2 | 18 |
| Pensions paid out | –22 | –16 | –14 | –12 |
| Contributions by plan participants | 45 | 44 | – | – |
| Disbursements from assets | –119 | –107 | – | – |
| **Carrying amount of defined benefit obligations, 30 November** | **2,157** | **2,251** | **119** | **131** |
| Opening balance 1 December | –1,780 | –1,533 | –3 | –3 |
| Recognised pension income, net | –4 | –257 | 0 | 0 |
| Premiums paid by employer | –58 | –53 | – | – |
| Contributions by plan participants | –45 | –44 | – | – |
| Disbursements | 119 | 107 | – | – |
| **Carrying amount of fair value of plan assets, 30 November** | **–1,768** | **–1,780** | **–3** | **–3** |

Of the total recognised obligation, SEK 130 m (144) relates to defined benefit pensions plans in Sweden and SEK 215 m (276) to plans in Switzerland. The weighted average maturity of these pension plans is 7.0 years for the Swedish plans and 14.3 years for the Swiss plans.



## 22 cont.

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| **The amounts recognised as pension expenses comprise the following items:** | | | | |
| Current service cost | 75 | 66 | – | – |
| Interest expense | 23 | 36 | 4 | 4 |
| Interest income | –16 | –27 | 0 | 0 |
| Reductions/adjustments gains (–) and losses (+) | 0 | 3 | – | – |
| Past service cost | –13 | –2 | – | – |
| Changes in foreign exchange rates for plans valued in a currency other than the reporting currency | –16 | 10 | – | – |
| **Pension expenses recognised in the income statement** | **53** | **86** | **4** | **4** |
| **Pension expenses recognised in other comprehensive income** | | | | |
| Return on plan assets | –78 | –163 | 0 | 0 |
| Actuarial gains/losses demographic assumptions liability | – | 0 | – | – |
| Actuarial gains/losses financial assumptions liability | –48 | 195 | –4 | 7 |
| Actuarial gains/losses experience based assumptions liability | 71 | 43 | 2 | 7 |
| **Actuarial gains (–) and losses (+)** | **–55** | **75** | **–2** | **14** |
| **Total recognised pension expenses** | **–2** | **161** | **2** | **18** |

The cost of defined contribution pension plans amounts to SEK 778 m (543).
Next year's expected payments for defined benefit pension plans amount to SEK 46 m (47).

| | | | | |
|---|---|---|---|---|
| **Significant actuarial assumptions on the balance sheet date (weighted average amounts)** | | | | |
| Discount rate | 1.31% | 1.15% | 3.50% | 3.00% |
| Future salary increases | 1.02% | 1.02% | 3.00% | 3.00% |
| Future pensions increases (inflation) | 0.13% | 0.14% | 2.00% | 2.00% |

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 4.6 m (5.3).

## 23 Other provisions

When reporting other provisions for the group, 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 judgments 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.

Other provisions include provisions for legal and tax cases and represents the present value of management's best estimate of the amounts required to settle the liabilities.

The group has provisions as outlined below.

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| Group | Restructuring | Other | Total | Restructuring | Other | Total |
| Opening balance | 347 | 193 | 540 | 309 | – | 309 |
| New provisions | 248 | 601 | 849 | 611 | 455 | 1,066 |
| Utilisation of provisions | –192 | –3 | –195 | –523 | –46 | –569 |
| Reversal of provisions | –176 | –207 | –383 | –50 | –195 | –245 |
| Exchange rate differences | –13 | –86 | –99 | – | –21 | –21 |
| **Closing balance** | **214** | **498** | **712** | **347** | **193** | **540** |

## 24 Financial assets and liabilities by category

When reporting financial instruments for the group, 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 cash and cash equivalents, accounts receivable, short-term investments, non-current receivables, and derivatives on the assets side. 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 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Other non-current receivables | – | – | 775 | 859 | – | – | – | – | 775 | 859 |
| Accounts receivable | – | – | 6,411 | 5,631 | – | – | – | – | 6,411 | 5,631 |
| Currency forward contracts with hedge accounting | – | – | – | – | – | – | 503 | 1,224 | 503 | 1,224 |
| Other shares and interests | 1,919 | 3,029 | – | – | – | – | – | – | 1,919 | 3,029 |
| Cash and cash equivalents | – | – | 20,908 | 17,340 | – | – | – | – | 20,908 | 17,340 |
| **Total financial assets** | **1,919** | **3,029** | **28,094** | **23,830** | – | – | **503** | **1,224** | **30,516** | **28,083** |
| Accounts payable | – | – | – | – | 20,826 | 24,417 | – | – | 20,826 | 24,417 |
| Liabilities to credit institutions | – | – | – | – | 20,675 | 14,117 | – | – | 20,675 | 14,117 |
| Other non-current liabilities | – | – | – | – | 148 | 162 | – | – | 148 | 162 |
| Currency forward contracts with hedge accounting | – | – | – | – | – | – | 358 | 665 | 358 | 665 |
| **Total financial liabilities** | – | – | – | – | **41,649** | **38,696** | **358** | **665** | **42,007** | **39,361** |

| | Financial assets 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Interest income and similar items | – | – | 460 | 890 | – | – | 0 | – | 460 | 890 |
| Interest expense and similar items | – | – | – | – | 671 | 760 | 0 | – | 671 | 760 |

At the date of acquisition the financial instruments are classified in the following categories.

**Financial assets at fair value through other comprehensive income**
In view of the strategic nature of the interests, assets in this category consists 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 Klarna is based on the share price on the closing day (level 1). The fair value of the investment amounts to SEK 499 m as of 30 November 2025.

The valuation of the remaining other shares and interests is as a 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) were 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 is evaluated against budget or similar companies, at a similar stage, with a similar risk-profile and transactions in such companies.



## 24 cont.

The following valuation techniques and unobservable input have been used to determine fair value of investments in level 3.

| 2025 | 2024 | Valuation technique | Input | Range 2025 | Range 2024 |
|---|---|---|---|---|---|
| 807 | 2,141 | Price from latest financing round | – | – | – |
| 172 | 654 | Comparable companies | Sales multiples | 1.1–8.0 | 1.1–9.2 |
| 441 | 234 | Discounted cash flow | Market interest rate | – | – |

A change of 10 percent of the multiples would have an impact on the investments of SEK 17.3 m (65.4).

The fair value of the remaining shares and interests amounts to SEK 1,420 m (3,029) as of 30 November 2025, the largest investments being Sheertex SEK 163 m (573), Instabee SEK 153 m (188) and Colorifix SEK 143 m (163).

| | 2025 | 2024 |
|---|---|---|
| **Reconciliation of investments based on level 3 input** | | |
| Opening balance | 3,029 | 2,329 |
| Additions | 254 | 396 |
| Disposals | –48 | 0 |
| Write-downs | –528 | – |
| Reclassification[1] | –847 | – |
| Gain or loss recognised in Other comprehensive income | –440 | 304 |
| **Closing balance** | **1,420** | **3,029** |

1. Klarna was listed during September 2025 and was thereby reclassified from level 3 to level 1.

**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. As of the closing date, all of the group's short-term investments fell into this category.

**Recognition of expected credit losses**
The group recognises 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 is 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 on accounts receivable 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 amortized 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 rate) 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 200 m. The reduction is due to general increase in interest rates since liabilities were issued.

**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 2025, forward contracts with a positive market value amount to SEK 503 m (1,224), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 358 m (665), which is reported under other current liabilities. Of the outstanding forward contracts, gains of SEK 47 m (–65) were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK 98 m (624) is included in the hedging reserve in equity.

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**
Loans 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 900 m (700). A change of 10 percentage points in the EUR/SEK exchange rate would have an impact on other comprehensive income of SEK 984 m (806).

**Hedging of interest rate exposure**
In 2023, the group entered into an interest rate swap in connection with the issue of a green bond. The interest rate swap ended in 2024 with a positive cash flow effect. The positive effect in the income statement is spread over the bond's remaining term.

**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 effectiveness of the cash flow hedging of the forecasted currency flows are measured monthly by comparing the hedged item with the hedging instrument.

The following table shows the outstanding forward contracts for cash flow hedging reported in the hedging reserve as of the closing date.

## 24 cont.

| Sell/buy | Book value and fair value, SEK 2025 | Book value and fair value, SEK 2024 | Nominal amount, SEK 2025 | Nominal amount, SEK 2024 |
|---|---|---|---|---|
| NOK/SEK | 6 | –11 | 556 | 765 |
| GBP/SEK | 27 | –57 | 2,021 | 2,848 |
| DKK/SEK | 5 | –3 | 425 | 573 |
| CHF/SEK | 9 | –8 | 656 | 692 |
| EUR/SEK | 95 | –61 | 9,827 | 11,267 |
| PLN/SEK | 2 | –17 | 1,314 | 1,585 |
| USD/SEK | 4 | –250 | 4,622 | 6,302 |
| CAD/SEK | 8 | –14 | 652 | 815 |
| JPY/SEK | 20 | –13 | 382 | 486 |
| HKD/SEK | 0 | –4 | 31 | 92 |
| RON/SEK | 2 | –4 | 466 | 492 |
| CZK/SEK | –1 | –1 | 282 | 289 |
| HUF/SEK | –7 | 7 | 244 | 280 |
| AUD/SEK | 0 | –5 | 216 | 325 |
| CNH/SEK | –1 | –12 | 377 | 583 |
| ZAR/SEK | 0 | – | 26 | – |
| MXN/SEK | –22 | –5 | 92 6 | 962 |
| SEK/USD | –29 | 1,066 | 19,378 | 25,703 |
| SEK/EUR | –20 | 16 | 2,148 | 2,254 |
| **Subtotal** | **98** | **624** | **44, 549** | **56,313** |

Maturity structure for hedging instruments:

| Stores | 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 – forward sales | 10,281 | 11,161 | 1,581 | – | – | – | 23,023 |
| Currency derivatives with hedge accounting – forward purchases | 12,385 | 8,794 | 336 | 11 | – | – | 21,526 |
| Hedging of net investment – loans in foreign currency | – | – | – | – | – | 9,840 | 9,840 |

Converted to SEK m at the exchange rate on the balance sheet date.

**Supply finance arrangements**

The H&M group has established a supply chain finance arrangement with partner banks where they provide a factoring solution to the suppliers. This arrangement is made available to all eligible product suppliers on equal terms, offering them the option to participate at their discretion. The H&M group is not a party to the factoring agreements between the banks and suppliers, nor does it provide guarantees to the banks for these services. For suppliers opting to utilize the factoring solution, the bank acts as a payment processing agent for the H&M group. Main benefit for the H&M group with this arrangement is to be able to have uniform payment terms with the eligible product suppliers. The partner banks are in good financial standing, indicating minimal exposure to liquidity risk.

The liabilities are related to operating activities and the supplier finance arrangements do not lead to any significant change in the nature or function of the liabilities. These are reported as trade payables in the balance sheet and within operating activities in the cash flow statement.

| | 2025 |
|---|---|
| **Carrying amount** | |
| Supplier finance arrangement liabilities | 7,824 |
| – Of which suppliers have been paid by financial providers | 6,368 |
| **Range of payment due dates** | |
| Liabilities that are part of supplier finance arrangement | 63 to 95 days |
| Comparable trade payables that are not part of the arrangement | 63 to 95 days |

## 25 Accrued expenses and deferred income

| | Group 2025 | Group 2024 | Parent company 2025 | Parent company 2024 |
|---|---|---|---|---|
| Holiday pay liability | 1,667 | 1,675 | – | – |
| Social security costs | 1,266 | 1,344 | 118 | 125 |
| Payroll liability | 1,978 | 2,287 | 1 | 2 |
| Costs relating to premises | 4,244 | 5,390 | – | – |
| Other accrued over-heads | 8,369 | 9,455 | 104 | 63 |
| **Total** | **17,524** | **20,151** | **223** | **190** |

## 26 Related party disclosures

When reporting related parties for the group, IAS 24 Related Party Disclosures is applied.

The H&M group's related parties are Ramsbury Invest 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 totalled to SEK 644 m (631) for the financial year. Outstanding balances in the form of prepaid rent and compensation for administrative services amount to SEK 0 m (34) and lease liabilities amount to SEK 1,923 m (2,522) as of 30 November 2025.

Transactions with associates took place on market terms and income amounted to SEK 9 m (6) for the financial year. Outstanding balances with associates amounted to SEK 9 m (0) as of 30 November 2025. Transactions with joint ventures took place on market terms and income amounted to SEK 11 m (4) for the financial year. Outstanding balances in the form of receivables from joint ventures amounted to SEK 31 m (31) as of 30 November 2025.

In 2024, Ramsbury Invest AB issued 450,000 call options to Daniel Ervér, the H&M group's 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 168.26 per share and may be exercised during a 12-month period beginning three years after the agreement date. Daniel Ervér is paying a premium of SEK 11.63 per option to the issuer Ramsbury Invest.



## 27 Interest-bearing liabilities

When reporting financial instruments for the group, IFRS 9 Financial Instruments is applied.

| | Group | | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2025 | Currency | Interest rate % 30 Nov | Commercial papers | Bonds (EMTN) | Loans from credit institutions | Interest rate % 30 Nov | Commercial papers | Bonds (EMTN) | Loans from credit institutions |
| 2025 | | 0 | – | – | – | 0 | – | – | – |
| 2026 | SEK, BRL | 1.7–15.8 | – | – | 2,345 | 0 | – | – | 2,000 |
| 2027 | | 0 | – | – | – | 0 | – | – | – |
| 2028 | COP | 16.33 | – | – | 119 | 0 | – | – | – |
| 2029 | EUR | 0.25 | – | 5,467 | – | 0.25 | – | 5,167 | – |
| 2030 | SEK | 3.09 | – | – | 1,500 | 3.09 | – | – | 1,500 |
| 2031 | EUR | 4.88 | – | 5,777 | – | 4.88 | – | 5,657 | – |
| 2032 | | 0 | – | – | – | 0 | – | – | – |
| 2033 | EUR | 3.4 | – | 5,467 | – | 3.4 | – | 5,462 | – |
| **Total** | | | – | **16,711** | **3,964** | | – | **16,286** | **3,500** |

| | Group | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| 2024 | Interest rate % 30 Nov | Commercial papers | Bonds (EMTN) | Loans from credit institutions | Interest rate % 30 Nov | Commercial papers | Bonds (EMTN) | Loans from credit institutions |
| 2024 | 0 | – | – | – | 0 | – | – | – |
| 2025 | 0 | – | – | – | 0 | – | – | – |
| 2026 | 1.7 | – | – | 2,000 | 1.7 | – | – | 2,000 |
| 2027 | 0 | – | – | – | 0 | – | – | – |
| 2028 | 16.33 | – | – | 245 | 0 | – | – | – |
| 2029 | 0.25 | – | 5,755 | – | 0.25 | – | 5,166 | – |
| 2030 | 0 | – | – | – | 0 | – | – | – |
| 2031 | 4.875 | – | 6,117 | – | 4.875 | – | 5,882 | – |
| **Total** | | – | **11,872** | **2,245** | | – | **11,048** | **2,000** |

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.

| | 1 Dec 2024 | Cash flow: New debt and amortisation | Non-cash flow: Foreign exchange | 30 Nov 2025 |
|---|---|---|---|---|
| Loans from credit institutions | 2,245 | 1,704 | 15 | 3,964 |
| Commercial papers | – | – | – | – |
| Bonds | 11,872 | 5,445 | –606 | 16,711 |
| **Total liabilities from financing activities** | **14,117** | **7,149** | **–591** | **20,675** |

| | 1 Dec 2023 | New debt and amortisation | Foreign exchange | 30 Nov 2024 |
|---|---|---|---|---|
| Loans from credit institutions | 4,871 | –2,589 | –37 | 2,245 |
| Commercial papers | 625 | –625 | – | – |
| Bonds | 11,586 | – | 286 | 11,872 |
| **Total liabilities from financing activities** | **17,082** | **–3,214** | **249** | **14,117** |

As of 30 November 2025, the group had non-current lease liabilities of SEK 44,903 m (50,361) and current lease liabilities of SEK 11,969 m (12,476), which are reported in note 17.

## 28 Appropriations

| | Parent company | |
|---|---|---|
| | 2025 | 2024 |
| Group contributions paid | –780 | –1,287 |
| Depreciation in excess of plan | 0 | 0 |
| **Total** | **–780** | **–1,287** |

## 29 Interests in group companies

**Parent company shareholding**

| 2025 | Corporate id number | No. of shares | Book value | Domicile |
|---|---|---|---|---|
| H & M Hennes & Mauritz Sverige AB | 556151-2376 | 1,250 | 200.1 | Sweden |
| All in Equestrian AIE AB | 556023-1663 | 1,150 | 30.6 | Sweden |
| H & M Hennes & Mauritz GBC AB | 556070-1715 | 2,379 | 563.3 | Sweden |
| 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 | Sweden |
| H & M Fashion AB | 556922-7878 | 50,001 | 300.1 | Sweden |
| H & M Finance AB | 559159-7090 | 50,000 | 0.1 | Sweden |
| Store Lens AB | 559274-6936 | 25,000 | 0.0 | Sweden |
| H & M Finance BV | | 50,000 | 0.5 | Netherlands |
| Hennes Insurance Försäkringsaktiebolag | 516406-1250 | 62,500 | 125.0 | Sweden |
| H & M Procurement Office, S.A. de C.V. (previously known as H & M Hennes & Mauritz Management S.A. de C.V.) | | 4,202 | 8.3 | Mexico |
| **Total** | | | **1,252.4** | |

**Subsidiaries' holdings**
Wholly owned companies

| 2025 | 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 |
| H & M Hennes & Mauritz Logistics NV | | Belgium |
| H & M Hennes & Mauritz Logistics 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 Fashion USA Inc. | | US |
| H & M Services US Inc. | | US |
| Hennes & Mauritz SLU | | Spain |
| Hennes & Mauritz Support, S.L. | | Spain |



## 29 cont.

| 2025 | Corporate id no | Domicile |
|---|---|---|
| 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 |
| Sellhelp Sp. z o.o. (previously known as H&M Services Poland 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 Unipessoal, Lda (previously known as 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 |
| H&M 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 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 |
| Sellhelp 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 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 Pvt Limited | | India |
| 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 |

## 29 cont.

| 2025 | Corporate id no | Domicile |
|---|---|---|
| Hennes & Mauritz Uruguay S.A. | | Uruguay |
| H & M Hennes & Mauritz LLC | | Ukraine |
| 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 |
| H&M Paraguay S.r.l. | | Paraguay |

Subsidiaries with non-controlling interests

| 2025 | Percentage ownership | Corporate id no | Domicile |
|---|---|---|---|
| Sellhelp AB | 82.5 | 556996-1260 | Sweden |
| H&M Hennes & Mauritz Brazil Importacoes Ltda. | 80.0 | | Brazil |

## 30 Untaxed reserves

| | Parent company | |
|---|---|---|
| | 2025 | 2024 |
| Depreciation in excess of plan | 16 | 17 |
| **Total** | **16** | **17** |

## 31 Contingent liabilities

When reporting contingent liabilities for the group, 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 | |
|---|---|---|
| | 2025 | 2024 |
| Lease guarantees | 8,750 | 10,973 |
| Logistics | 2,547 | 2,661 |
| Solar parks | 510 | 574 |
| **Total** | **11,807** | **14,208** |

## 32 Interest income, interest expense and similar items

The parent company's interest income and similar items consist of SEK 395 m (479) in interest income and SEK 241 m (12) in translation effects on receivables and liabilities from group companies.

The parent company's interest expense and similar items consist of SEK –386 m (–484) in interest expense and SEK –262 m (0) in translation effects on receivables and liabilities from group companies.

## 33 Events after the closing date

No significant events have occurred since the end of the reporting period.

## 34 Distribution of earnings

The board of directors proposes to the 2026 annual general meeting that an ordinary dividend of SEK 7.10 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 137.

**The board's proposal to the 2026 AGM regarding distribution of earnings**

| | SEK |
|---|---|
| At the disposal of the annual general meeting[1] | 14,920,567,469 |
| The board proposes a dividend to shareholders of SEK 7.10 per share[2] | 11,377,312,463 |
| To be carried forward as retained earnings | 3,543,255,006 |
| | **14,920,567,469** |

1. Including the remaining amount of SEK 835 m for the, per 30 November 2025, ongoing share buyback programme.
2. Based on outstanding shares, excluding own shares, as per 30 November 2025.



# 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 signatories certify that the Sustainability Statements have been prepared in accordance with the European Sustainability Reporting Standards (ESRS) as adopted by the EU and the EU Taxonomy Regulation. 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.

The annual report, the consolidated accounts and the sustainability statement have been signed and dated by the board of directors on 19 March 2026, Stockholm

**Karl-Johan Persson**
Chair of the Board

**Klas Balkow**
Board member

**Anders Dahlvig**
Board member

**Lena Patriksson Keller**
Board member

**Helena Saxon**
Board member

**Christian Sievert**
Board member

**Christina Synnergren**
Board member

**Danica Kragic Jensfelt**
Board member

**Keith Barker**
Board member

**Tim Gahnström**
Board member

**Agneta Gustafsson**
Board member

**Daniel Ervér**
Chief Executive Officer

Our audit report on the Annual report and consolidated accounts, and our limited assurance report on the Sustainability statement have been submitted on 19 March 2026.

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 accounts of H & M Hennes & Mauritz AB (publ) for the financial year 2024-12-01–2025-11-30 except for the corporate governance statements on pages 45–57 and sustainability statement on pages 59–128. The annual accounts and consolidated accounts of the company are included on pages 16–21 and 41–175 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 2025 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 2025 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the corporate governance report on pages 45–57 and the sustainability statement on pages 59–128. 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, 2025, the Group held property, plant and equipment consisting mainly of equipment, tools, fixture and fittings (SEK 29,838 million) and right of use assets (SEK 52,094 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 2 million and SEK 181 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 and long-term growth 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 4,100 stores as well as multiple offices and warehouses globally. The right of use asset amounts to SEK 52,094 million as of November 30, 2025, 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, 2025, stock-in-trade amounts to SEK 35,427 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,
- Attending to 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 and is found on pages 4–15, 23–40, 59–128 and 183–189. The other information also includes the renumeration report. 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 Accounting Standards 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.
- Plan and perform the group audit to obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated accounts. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 2024-12-01–2025-11-30 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 2024-12-01–2025-11-30.

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 firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 XHMTL 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, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

**Auditor's review of the corporate governance report**

The Board of Directors is responsible for the corporate governance report on pages 45–57 and for its preparation in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's recommendation RevR 16 Auditor's review of the corporate governance report. This means that our review of the corporate governance report has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, items 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act 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 2025-05-07 and has been the company's auditor since 2021-05-06.

Stockholm, March 19, 2026

Deloitte AB

Didrik Roos
Authorized Public Accountant

# Auditor's limited assurance report of H & M Hennes & Mauritz AB's statutory sustainability statement

**To the general meeting of the shareholders of**
**H & M Hennes & Mauritz AB (publ) corporate identity number 556042-7220**

**Conclusion**
We have conducted a limited assurance engagement of the sustainability statement for H & M Hennes & Mauritz AB (publ) for the financial year 2024-12-01–2025-11-30. The sustainability statement is included on pages 59–128 in this document.

Based on our limited assurance engagement as described in the section Auditor's responsibility, nothing has come to our attention that causes us to believe that the sustainability statement does not, in all material respects, meet the requirements of the Swedish Annual Accounts Act which includes,

- whether the sustainability statement meets the requirements of the European Sustainability Reporting Standards (ESRS),
- whether the process the company has carried out to identify reported sustainability information has been conducted as described in the sustainability statement,
- compliance with the reporting requirements of the EU's Green Taxonomy Regulation Article 8 (EU Taxonomy).

**Basis for conclusion**
We have conducted the limited assurance engagement in accordance with FAR's recommendation RevR 19 Revisorns översiktliga granskning av den lagstadgade hållbarhetsrapporten. Our responsibility according to this recommendation is further described in the section Auditor's responsibility.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

**Other information than the sustainability statement**
This document also contains other information than the sustainability statement and is found on pages 4–58, 130–175, and 183–189. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our conclusion on the sustainability statement does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our limited assurance engagement on the sustainability statement, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the sustainability statement. In this procedure we also take into account our knowledge otherwise obtained in the limited assurance engagement 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 Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of sustainability statement in accordance with Chapter 6, paragraphs 12–12f of the Swedish Annual Accounts Act, and for such internal control as they determines is necessary to enable the preparation of the sustainability statement that is free from material misstatements, whether due to fraud or error.

**Other matters**
Prior year's sustainability statement has not been subject to limited assurance procedures in accordance with FAR's recommendation RevR 19 and consequently prior year's information in the sustainability statement for 2025 has not been subject to limited assurance procedures in accordance with that recommendation

**Auditor's responsibility**
Our responsibility is to express a conclusion on whether the sustainability statement has been prepared in accordance with Chapter 6, Sections 12–12f of the Swedish Annual Accounts Act based on our review. The limited assurance engagement has been conducted in accordance with FAR's recommendation RevR 19 Revisorns översiktliga granskning av den lagstadgade hållbarhetsrapporten. This recommendation requires that we plan and perform our procedures to obtain limited assurance that the sustainability statement is prepared in accordance with these requirements.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. This means that it is not possible for us to obtain such assurance that we become aware of all significant matters that could have been identified if a reasonable assurance engagement had been performed.

Our firm applies ISQM 1 (International Standard on Quality Management), 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.

We are independent of H & M Hennes & Mauritz AB (publ) in accordance with professional ethics for auditors in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

A limited assurance engagement involves performing procedures to obtain evidence to support the sustainability statement. The auditor selects the procedures to be performed, including assessing the risks of material misstatements in the sustainability statement, whether due to fraud or error. In this risk assessment, the auditor considers the parts of the internal control that are relevant to how the Board of Directors and the Chief Executive Officer prepare the sustainability statement, in order to design procedures that are appropriate under the circumstances, but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control. The review consists of making inquiries, primarily of persons responsible for the preparation of the sustainability statement, performing analytical review, and conducting other limited review procedures.

Our review procedures concerning the entity's process for identifying sustainability information to be reported included, but were not limited to:

- Obtain an understanding of the process by:
- Performing inquiries to understand the sources of the information used by entity, and
- Reviewing the entity's internal documentation of the process
- Evaluate whether the evidence obtained from our procedures about the process implemented by the entity is consistent with the description of the process set out on page 68–69 in the sustainability statement.

The review procedures with respect to the sustainability statement included but were not limited to the following:

- By inquiries obtain an understanding of the entity's control environment, reporting processes, and information systems relevant to the preparation of its sustainability statement
- Evaluate whether the information identified to be material by the entity's the process for identifying sustainability information to be reported, is included in the sustainability statement
- Evaluate whether the structure and the presentation of the sustainability statement is in accordance with the requirements in ESRS
- Perform inquiries of relevant personnel and analytical procedures on selected disclosures in the sustainability statement
- Perform substantive assurance procedures on a sample basis on selected disclosures in the sustainability statement
- Perform inquiries and analytical procedures to evaluate whether the methods, data and significant assumptions used to make estimates in the sustainability statement are appropriate and applied consistently

The review procedures with respect to the EU Taxonomy included but were not limited to the following:

- Obtain an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the sustainability statement
- Evaluate whether the activities within the EU Taxonomy are consistent to the financial statements and related notes
- Evaluate processes, documentation and assessment of eligibility and alignment with the economic activities and technical screening criteria within the EU Taxonomy
- Evaluate whether the reporting is in accordance with the requirements in EU Taxonomy

**Inherent limitations**
In reporting forward-looking information in accordance with ESRS, the Board of Directors and the Chief Executive Officer for H & M Hennes & Mauritz AB (publ) are required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the entity. The actual outcome is likely to be different since anticipated events frequently do not occur as expected.

Stockholm, March 19, 2026

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 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 H&M Group's stakeholders with 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 metrics 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. All amounts in SEK m unless specified otherwise.

## Measures of profit and return

| Return on equity | Group 2025 | Group 2024 |
|---|---|---|
| Profit for the year | 12,085 | 11,584 |
| Average shareholders' equity | 44,579 | 46,861 |
| **Return on equity** | **27.1%** | **24.7%** |

**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.

| Return on capital employed | Group 2025 | Group 2024 |
|---|---|---|
| Profit after financial items | 16,202 | 15,443 |
| Interest expense | 2,653 | 2,753 |
| Average shareholders' equity | 44,579 | 46,861 |
| Average interest-bearing liabilities | 77,680 | 77,887 |
| **Return on capital employed** | **15.4%** | **14.6%** |

**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.

| Gross profit | Group 2025 | Group 2024 |
|---|---|---|
| Net sales | 228,285 | 234,478 |
| Cost of goods sold | –106,464 | –109,179 |
| **Gross profit** | **121,821** | **125,299** |

**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.

| Gross margin | Group 2025 | Group 2024 |
|---|---|---|
| Net sales | 228,285 | 234,478 |
| Gross profit | 121,821 | 125,299 |
| **Gross margin** | **53.4%** | **53.4%** |

**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.

| Operating profit | Group 2025 | Group 2024 |
|---|---|---|
| Net sales | 228,285 | 234,478 |
| Cost of goods sold | –106,464 | –109,179 |
| Selling expenses | –93,023 | –97,153 |
| Administrative expenses | –10,269 | –10,762 |
| Result from investments in associated companies and joint ventures | –134 | –78 |
| **Operating profit** | **18,395** | **17,306** |

**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.

| Operating margin | Group 2025 | Group 2024 |
|---|---|---|
| Net sales | 228,285 | 234,478 |
| Operating profit | 18,395 | 17,306 |
| **Operating margin** | **8.1%** | **7.4%** |

**Definition** Operating profit as a percentage of net sales for the year.

**Reason for use** An indicator of operational profitability.

| EBITDA | Group 2025 | Group 2024 |
|---|---|---|
| Operating profit | 18,395 | 17,306 |
| Depreciation, amortisation and write-downs | 21,140 | 22,252 |
| **EBITDA** | **39,535** | **39,558** |

**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

| Share of risk-bearing capital | Group 2025 | Group 2024 |
|---|---|---|
| Shareholders' equity | 42,947 | 46,211 |
| Deferred tax liability | 1,953 | 2,242 |
| Balance sheet total | 170,273 | 180,214 |
| **Share of risk-bearing capital** | **26.4%** | **26.9%** |

**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.

| Equity/assets ratio | Group 2025 | Group 2024 |
|---|---|---|
| Shareholders' equity | 42,947 | 46,211 |
| Balance sheet total | 170,273 | 180,214 |
| **Equity/assets ratio** | **25.2%** | **25.6%** |

**Definition** Equity in relation to total assets.

**Reason for use** Shows financial potential and independence to develop the business.

| Capital employed | Group 2025 | Group 2024 |
|---|---|---|
| Shareholders' equity | 42,947 | 46,211 |
| Interest-bearing liabilities | 77,936 | 77,425 |
| **Capital employed** | **120,883** | **123,636** |

**Definition** Equity plus interest-bearing liabilities.

**Reason for use** Shows the company's ability to meet current capital commitments.

| Operating working capital | Group 2025 | Group 2024 |
|---|---|---|
| Accounts receivable | 6,411 | 5,631 |
| Stock-in-trade | 35,427 | 40,348 |
| Accounts payable | –20,826 | –24,417 |
| **Operating working capital** | **21,012** | **21,562** |

**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.

| Total working capital | Group 2025 | Group 2024 |
|---|---|---|
| Operating working capital | 21,012 | 21,562 |
| Tax assets | 2,176 | 2,831 |
| Other receivables | 4,270 | 5,654 |
| Prepaid expenses | 3,303 | 3,923 |
| Tax liabilities | –1,791 | –2,257 |
| Other liabilities | –6,436 | –6,809 |
| Accrued expenses and deferred income | –17,524 | –20,151 |
| **Total working capital** | **5,010** | **4,753** |

**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.

| Net debt | Group 2025 | Group 2024 |
|---|---|---|
| Provisions for pensions | 389 | 471 |
| Interest-bearing leasing liabilities | 56,872 | 62,837 |
| Liabilities to credit institutions | 20,675 | 14,117 |
| Cash and cash equivalents | –20,908 | –17,340 |
| **Net debt** | **57,028** | **60,085** |

**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.

| Financial net debt (+) / net cash (–) | Group 2025 | Group 2024 |
|---|---|---|
| Interest-bearing liabilities excluding lease liabilities and provisions for pensions | 20,675 | 14,117 |
| Cash and cash equivalents and short-term investments | –20,908 | –17,340 |
| **Financial net debt (+) / net cash (–)** | **–233** | **–3,223** |

**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.

| Operating cash flow / EBITDA | Group 2025 | Group 2024 |
|---|---|---|
| Cash flow from operating activities | 31,120 | 31,756 |
| EBITDA | 39,535 | 39,558 |
| **Operating cash flow / EBITDA** | **78.7%** | **80.3%** |

**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

| Shareholders' equity per share | Group 2025 | Group 2024 |
|---|---|---|
| Shareholders' equity | 42,947 | 46,211 |
| Number of shares outstanding as of the closing day, thousands | 1,602,438 | 1,604,491 |
| **Shareholders' equity per share, SEK** | **26.80** | **28.80** |

**Definition** Equity divided by the number of shares.

**Reason for use** This indicator can show over time whether the company is increasing the share-holders' capital.

| Cash flow from operating activities per share | Group 2025 | Group 2024 |
|---|---|---|
| Cash flow from operating activities | 31,120 | 31,756 |
| Average number of shares outstanding, thousands | 1,604,033 | 1,611,695 |
| **Cash flow from operating activities per share, SEK** | **19.40** | **19.70** |

**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 2025 | Group 2024 |
|---|---|---|
| Price per share at year-end, SEK | 171.30 | 151.25 |
| Earnings per share, SEK | 7.58 | 7.21 |
| **P/E ratio** | **23** | **21** |

**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 share and ownership structure

**Listing** Nasdaq Stockholm, Large Cap
**Symbol** HM B
**Capitalisation at financial year-end** SEK 274.8 billion
**ISIN** SE0000106270

H&M Group's class B share is listed on Nasdaq Stockholm, with an average daily trading volume of 2.80 (2.87) million shares during the 2025 financial year. The total number of shares as at 30 November 2025 was 1,604,491,375 of which 194,400,000 were class A shares, each with 10 votes, and 1,410,091,375 were class B shares, each with one vote. Excluding treasury shares the total number of shares was 1,602,438,375. All the shares have the same dividend entitlement and share in the company's assets.

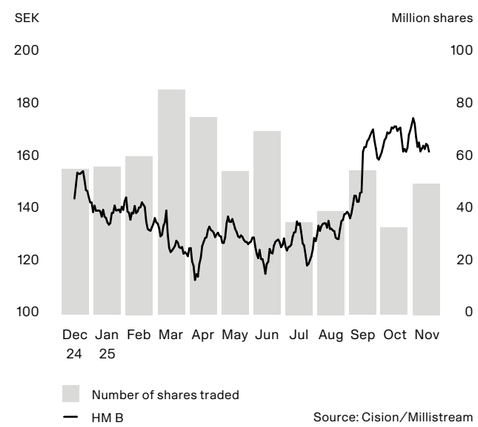
**Ownership structure**
At the close of the 2025 financial year, H&M had 199,997 shareholders (213,223). The largest shareholder is Stefan Persson and family, who through Ramsbury Invest AB hold all the class A shares and 823,913,243 class B shares (764,799,715). In addition, the family privately owns 36,400,289 class B shares. This means that as at 30 November 2025, Stefan Persson and family privately and via Ramsbury Invest AB represented 83.7 (81.9) percent of the votes, excluding treasury shares, and 65.7 (61.8) percent of the total number of shares.

**Dividend and share buybacks**
The board of directors has resolved to propose to the annual general meeting (AGM) on 5 May 2026 that a dividend of SEK 7.10 (6.80) per share be paid in two instalments over the year. H&M Group's dividend policy states 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.

A buyback programme, as authorised by the 2025 AGM, was initiated on 26 June 2025 and completed on 17 July 2025. The intention is to use the repurchased shares to ensure the delivery of class B shares to the company's long-term incentive program (LTIP). A total of 1,100,000 class B shares were repurchased for an overall sum of approximately SEK 149 m.

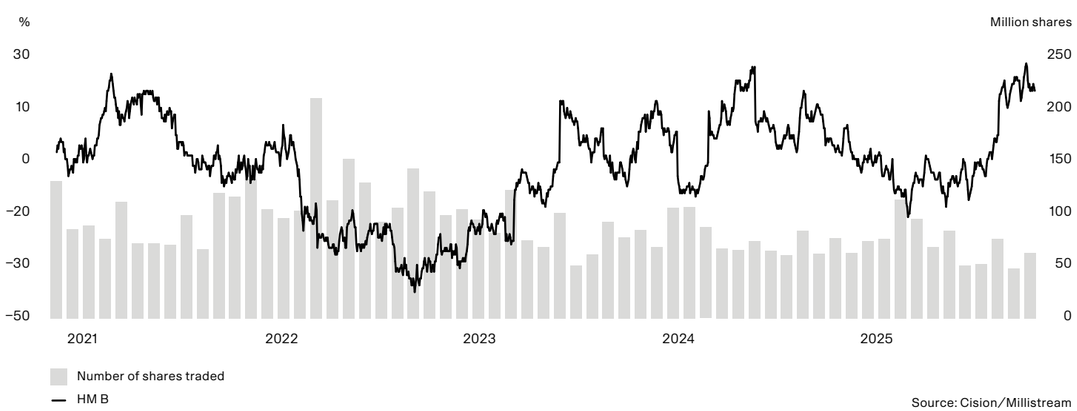
The board of directors further resolved to carry out a SEK 1 billion share buyback programme that started on 21 November 2025, in order to distribute surplus liquidity and thereby adjust the company's capital structure. As at 30 November 2025 a total of 953,000 class B shares in H&M had been repurchased for a total amount of approximately SEK 165 m. The share buyback programme was completed on 23 January 2026 with 5,618,372 class B shares having been repurchased in total. The board of directors proposes that the 2026 AGM resolve to cancel the shares that were repurchased for the purpose of distributing surplus liquidity and thereby adjusting the company's capital structure. The board of directors will ask the 2026 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 2027 annual general meeting.

## Share price and trading volume, 2025




Source: Cision/Millistream

## Total return and trading volume, 5 years




Source: Cision/Millistream



**Key ratios per share**

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Shareholders' equity per share, SEK[1] | 26.80 | 28.76 | 29.23 | 31.15 | 36.26 |
| Earnings per share, SEK[1] | 7.58 | 7.21 | 5.37 | 2.16 | 6.65 |
| Change from previous year, % | +5 | +34 | +149 | −68 | +787 |
| Dividend per share excluding own shares, SEK[2] | 6.80 | 6.50 | 6.50 | 6.50 | 6.50 |
| Share price on 30 November, SEK | 171.30 | 151.25 | 167.90 | 116.66 | 160.00 |
| P/E ratio | 23 | 21 | 31 | 54 | 24 |

1. Before and after dilution, excluding own shares.
2. Dividend which was decided and paid during the year.

**Major shareholders, 30 November 2025**

| | No. of shares | % of total shares | % of voting rights |
|---|---|---|---|
| The Stefan Persson family and related companies | 1,054,713,532 | 65.74 | 83.65 |
| The Lottie Tham family and related companies | 88,880,651 | 5.54 | 2.65 |
| AMF Fonder & Pension | 28,039,027 | 1.75 | 0.84 |
| Handelsbanken Fonder AB | 22,031,401 | 1.37 | 0.66 |
| Vanguard Funds | 21,601,651 | 1.35 | 0.64 |
| Fjärde AP-fonden | 19,802,168 | 1.23 | 0.59 |
| Blackrock | 19,578,326 | 1.22 | 0.58 |
| Nordea Funds AB | 14,654,763 | 0.91 | 0.44 |
| Avanza Fonder | 14,056,905 | 0.88 | 0.42 |
| Folksam | 10,805,034 | 0.67 | 0.32 |

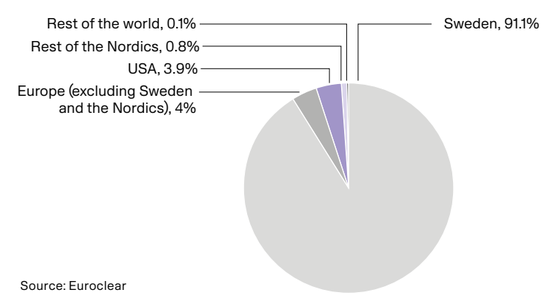
Source: Euroclear

**Distribution of shares, 30 November 2025**

| Shareholding | No. of shareholders | Class A shares | Class B shares | Holding (%) | Votes (%) |
|---|---|---|---|---|---|
| 1–500 | 166,399 | | 18,396,007 | 1.15 | 0.55 |
| 501–1,000 | 15,678 | | 12,177,723 | 0.76 | 0.36 |
| 1,001–5,000 | 14,253 | | 31,731,432 | 1.98 | 0.95 |
| 5,001–10,000 | 1,859 | | 13,509,992 | 0.84 | 0.40 |
| 10,001–15,000 | 590 | | 7,367,727 | 0.46 | 0.22 |
| 15,001–20,000 | 315 | | 5,548,557 | 0.35 | 0.17 |
| 20,001– | 903 | 194,400,000 | 1,321,359,937 | 94.47 | 97.35 |
| **Total** | **199,997** | **194,400,000** | **1,410,091,375** | **100** | **100** |

Source: Euroclear

## Geographic distribution of shareholdings, 30 November 2025




Source: Euroclear

# Annual general meeting

**Date and venue**
H&M's annual general meeting 2026 will be held on Tuesday 5 May 2026 at 3 p.m. (CEST) in the Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna. There will be the option 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 5 May 2026 that a dividend of SEK 7.10 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 3.55 per share is 7 May 2026. With this record date, the dividend is expected to be paid out by Euroclear Sweden AB on 12 May 2026.

To be entitled to receive the dividend H&M shares must have been purchased no later than 5 May 2026. The ex-dividend date is 6 May 2026.

The record date proposed for the second dividend payment of SEK 3.55 per share is 5 November 2026. With this record date, the dividend is expected to be paid out by Euroclear Sweden AB on 10 November 2026.

To be entitled to receive the second dividend instalment H&M shares must have been purchased no later than 3 November 2026. The ex-dividend date is 4 November 2026.

# Financial calendar

H & M Hennes & Mauritz AB will provide the following information:

| | |
|---|---|
| 26 March 2026 | Three-month report |
| 5 May 2026 | Annual general meeting 2026 at 3 p.m. (CEST) |
| 25 June 2026 | Six-month report |
| 24 September 2026 | Nine-month report |
| 28 January 2027 | Full-year report |

# Contact details

**Head office**
H & M Hennes & Mauritz AB,
Mäster Samuelsgatan 46A,
SE-106 38 Stockholm, Sweden
Telephone: +46 (0)8 796 55 00

**Contacts**

| | |
|---|---|
| Investor Relations | Joseph Ahlberg |
| Communications | Hendrik Alpen |
| Corporate Governance | Cigdem Günes |

**Distribution of annual and sustainability report 2025**
The H&M group sends out the printed version of the annual and sustainability report to shareholders who have specifically requested this. 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 ventures see:

hm.com
cos.com
weekday.com
stories.com
arket.com
singular-society.com
sellpy.com



# Definitions

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:

**Responsible business conduct** A business environment that prioritises ethical practices, environmental, social and economic progress, and respect for human rights based on the OECD Guidelines for Responsible Business Conduct.

**Circularity** Alignment of products, materials and resource use with circular economy principles and with the definition of a circular economy and a circular economy for fashion.

**Circulate and recirculate** The circulation and recirculation of materials, components and products in practice after first use employing the following strategies: maintenance or prolonged use, reuse or redistribution, refurbishment or remanufacturing, recycling, composting or anaerobic digestion, based on the ESRS definition.

**Circular economy** An economic system through which the value of products, materials and other resources in the economy is maintained for as long as possible, leading to their more efficient use in production and consumption, so that the environmental impact of their use is reduced, and waste and emissions of hazardous substances at all stages of their life cycle are minimised, including through the application of the waste hierarchy.

**Circular economy for fashion** Building an industry that designs products to be used longer, made to be used again and recycled, and made from safe and recycled or renewable inputs.[1]

**Circular services** Services that extend the life of products, such as resale and garment collection, with investments made directly by the H&M group via our investment arm or our brands.

**Fair and equal treatment** Efforts to prevent discrimination or unequal treatment on the grounds of gender, sexual orientation, race, colour, age, pregnancy, marital or social status, religion, political opinion, nationality, ethnic origin, disease or disability. Fair and equal treatment includes equal remuneration for equal work and other aspects of equal treatment at work including avoiding discrimination in the form of gender-based violence (GBV) against women, directed towards a woman because she is a woman or that affects women disproportionately, based on ILO Conventions.

**Adequate wage** A compensation rate, excluding variable components such as overtime and incentive pay, and any non-guaranteed allowances, that allows employees to meet their basic needs, including housing, food, healthcare, education and other essentials, and provide some discretionary income. As a minimum, the wage should meet legal levels or applicable collective bargaining agreement levels – whichever is higher.

**Natural resources** Natural assets (raw materials) occurring in nature that can be used for economic production or consumption.

**Own operations** The activities carried out by the H&M group's employees and non-employees across our offices, warehouses, distribution centres and in our stores.

**Resources** Refers to natural resources (including primary raw materials) as well as secondary raw materials.

**Recycled or sustainably sourced materials** These are materials that meet our sustainability-related sourcing requirements. We work to align with Textile Exchange's definition of preferred fibre and materials: A fibre or raw material that delivers consistently reduced impacts and increased benefits for climate, nature and people compared with the conventional equivalent.[2] Read more about our definition of recycled and sustainably sourced materials at hmgroup.com/sustainability/circularity-and-climate/materials.

**Raw materials or feedstocks** used by the textile industry can be either primary (virgin) materials (cultivated or extracted from the earth) or secondary feedstocks (reclaimed and recycled from pre-consumer or post-consumer waste streams and fed back into the production cycle). Materials can be either renewable or non-renewable.[2]

- Renewable raw materials are typically not depleted when used. 'Rapidly' renewable materials are usually harvested from fast-growing sources and take 10 or fewer years to grow or raise and harvest in an ongoing way. Examples include cotton, wool and certain types of wood (for man-made cellulosic fibres).
- Non-renewable raw materials, also called finite resources, are natural resources that cannot be readily replaced by natural means quickly enough to keep up with consumption. An example is carbon-based fossil fuel (the building blocks of virgin conventional synthetic fibres and materials). Earth minerals and metal ores are other examples of non-renewable resources.
- Recycled raw materials can originate from renewable or non-renewable feedstocks. They are materials that would otherwise have become waste, which can be collected, separated, processed and returned to the economic mainstream in the form of raw materials or products.

**Upstream value chain** The full range of activities carried out by entities or business partners in the upstream supply chain, which provide products or services that are used in the development and production of the H&M group's own products or services. This includes upstream entities which the H&M group has a direct or indirect business relationship with.

**Downstream value chain** The full range of activities carried out by entities or business partners in the downstream value chain, which provide products or services that are used in the handling of products provided by the H&M group. This includes downstream entities which the H&M group has a direct or indirect business relationship with.

**Safe and fair working environment and conditions** A workplace which respects workers' physical and psychological health, safety and dignity, limiting the maximum number of working hours, ensuring daily and weekly rest periods and with an annual period of paid leave, based on the Charter of Fundamental Rights of the European Union.

**Water use** Total quantity of water used.

**Water consumption** Total quantity of water consumed.

**Value chain** The full range of activities, resources and relationships related to the H&M group's business model and the external environment in which it operates.

1. Definitions by Ellen MacArthur Foundation.
2. Definitions by Textile Exchange Materials-Terminology-Guide.pdf

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