



H&M Group

Annual and Sustainability Report 2022

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How we report

This pdf document contains H&M Group's annual and sustainability report. It includes comments from our CEO and a description of our business, followed by our legal annual report. See our corporate governance report on pages 55-72, the administration report including the statutory sustainability report on pages 73-107, and the financial reports on pages 108-140.

Our annual and sustainability report complies with the applicable Swedish and EU legislation as well as the International Financial Reporting Standards (IFRS) adopted by the EU. External frameworks in this report include the Task Force on Climate-Related Financial Disclosure (TCFD), which can be found as a part of the administration report on pages 103-107.

We complement our annual and sustainability report with the [sustainability disclosure](#), which provides additional detailed information on our sustainability strategy, policies, goals, programmes and performance data. The sustainability disclosure complies with external reporting frameworks such as the Global Reporting Initiative (GRI) and the UN Guiding Principles Reporting Framework.



Some words and phrases used in this report

Throughout this report we use certain words and phrases to describe our approach to addressing specific social and environmental issues. Here, we explain what we mean by these terms.

Circular and **circularity** are terms we use throughout this report in different contexts. We use them as high-level terms to describe activities aligned with the Ellen MacArthur Foundation's (EMF) [definition](#) of circular economy, which focuses on three principles: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature. More specifically, we support and aspire to the EMF [vision for a circular fashion industry](#), where products are designed to be used more, made to be made again, and made from safe and recycled or renewable inputs. Where we reference our circular ecosystem, we are referring to putting all these principles into practice through the way we operate our business and create our products, including:

- **Circular products:** Creating products that are made to last from safe, recycled, regenerative or other more sustainably sourced materials that can circulate multiple times.
- **Circular supply chains:** Building scalable systems that circulate products and materials for repair, reuse and recycling and uses lower-impact production processes — such as dyeing, printing and finishing.
- **Circular customer journeys:** Providing convenient ways to engage in circular fashion where products are used more before being repaired, reused and recycled.

Customer-facing circular business models is an additional term we use to describe circular customer journeys. Circular business models can be in place throughout the entire ecosystem. When we talk about care, repair and reuse models, we frame them as customer-facing circular business models.

Fair compensation in our production supply chain refers to a wage that — in a regular work week, without overtime — is enough to meet the basic needs of employees and their families and provide some discretionary income. As a minimum, the wage should meet legal levels or applicable collective bargaining agreement levels — whichever is higher.

Our vision to **lead the change** means innovating, incubating and investing in scaling new materials, technologies and business models with the potential to decouple our business growth from resource use. It means trying to do things differently, daring to take the first step. It means sharing more data and working to improve the accuracy and comparability of industrywide disclosure. And finally, it means collaborating with others to change the way the industry works and create the legislative environment and infrastructure required for the fashion sector of the future.

More sustainably sourced, sourced in a more sustainable way or **more sustainable** describes materials or raw material production, processes, our overall operational activity, or that of our suppliers that have a reduced negative environmental impact compared to conventional alternatives. We base this assessment on various qualitative and quantitative comparative data sources including third-party lifecycle assessment (LCA) data, external benchmarks and assessments, supply chain assessment scores, and data on other KPIs. We further define more sustainably sourced for different materials in our [Material Categorisation](#), [Responsible Raw Material Sourcing Policy](#) and [Animal Welfare Policy](#).

Preferred transport options refers to modes of transport including 100% biofuel, electric and zero emissions vehicles¹.

Regenerative agriculture is a concept we refer to in relation to raw material production. It is a holistic approach to agriculture that focuses on the interconnection of farming systems and nature. Regenerative farming practices can improve soil health and strengthen the resilience of farmers while also restoring natural habitats.

Responsible is one of the three pillars of our long-term material sourcing vision. In this context it means sourcing materials with the overall aim to respect human rights and reduce environmental impact while contributing to sustainable development in the countries where we source². This is the foundation of all our sourcing decisions. The broader definition of what constitutes a **responsible company** is defined by international frameworks and for H&M Group it means understanding and taking action to address our impacts on people and the planet, supported by robust systems of governance and transparent external communications.

Reverse supply chain is a term for a system that brings used products, materials and production waste back into circulation either as second-hand products, or to be reused or recycled and diverted back into the production system as valuable resources.



1) A zero-emissions vehicle is one that does not emit exhaust gas or other pollutants when operational.
 2) Our definition of responsible sourcing is based on the OECD Guidelines for Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights.

CEO letter

Looking back at 2022, it was a turbulent year marked by the war in Ukraine and our thoughts are with all the people affected by this devastating humanitarian crisis. Although the year was challenging, our investments and continuous work on our customer offering have had good results, and full-year sales increased by 12 percent.

In times of high inflation, when household living costs are rising significantly, it has been more important than ever to offer customers great value for money — and that is exactly what all our unique brands do.

We broadened the customer offering further by launching our sportswear initiative H&M Move, which was well received by customers worldwide. This is only one of many examples of how we continued to grow our H&M brand, one of the world's largest fashion destinations. Our other brands — COS, Weekday, Monki, & Other Stories and ARKET — increased sales by 22 percent during the year.

We also continued to provide our customers with various services that, for example, are connected to reuse and recycling. These initiatives enable products to circulate and resources to be kept in use for as long as possible.

These examples and so much more have been made possible thanks to our dedicated and amazing teams that always put customers first. I want to express my gratitude to colleagues all across the world for their hard work over the past year.

External factors

Entering 2022, we had left the worst of the negative effects of the pandemic behind us and were off to a good start with well-received collections, increased full-price sales and lower markdowns. Then war broke out in Ukraine, which quickly made us decide to pause sales in the countries affected, make donations in support of Ukraine and eventually wind down our business in Russia and Belarus. This affected many of our colleagues in a negative way and we did our utmost to provide support. The consequences of our decision also had a significant negative impact on our results, since Russia was an important and profitable market for us.

Our results were further impacted by the high inflation, which led to increased costs for freight, raw materials and energy. In combination with a historically strong US dollar, the costs for purchases of goods increased substantially. Rather than passing on the full increase to our customers, we chose to strengthen our market position further.

To further counter the cost increases and at the same time address the major shift that is continuing in our industry, we carried out extensive work to prioritise various initiatives and review our organisation. In the autumn we therefore initiated a cost and efficiency programme, which is expected to have positive effects in the second half of 2023. We are very mindful of the fact that our colleagues are affected by this, and we are doing everything we can to support those concerned.

The lower profit for the year compared to 2021 is mainly explained by the negative external factors that affected our purchasing costs, loss of the operating profit from Russia and a one-time cost for the cost and efficiency programme. This was most evident in the fourth quarter, when the combined negative impact of these factors amounted to around SEK 5 billion compared with the same quarter in the previous year.

**Further integrated sales channels**

Our portfolio of around 4,500 stores worldwide is a great asset for us. In combination with our digital sales channels, our stores enable us to meet our customers when, where and how they want.

We are continuously optimising the store portfolio to make sure we have the right store with the right format in the right place in each market. This means that we have closed some stores, mostly in established markets, opened new ones in growth markets, and also refurbished and rightsized store areas. At the same time, we continued the integration of our physical and digital sales channels, which strengthen and complement each other.

To ensure additional capacity and flexibility between our sales channels as well as improved availability for our customers, we continued to invest in tech, AI and our supply chain. By using AI and data across the entire

supply chain, we can improve customer satisfaction by ensuring better precision in our quantification, allocation, pricing, personalisation and local relevance — all while contributing to leaner production and more sustainable use of resources.

Our approach to sustainability

Sustainability is an integral part of our business. This is underlined by our 2030 goal, which combine targets for company growth and profit with reductions in greenhouse gas emissions.

To reach our ambitious climate goals of halving the group's greenhouse gas emissions by 2030 and achieving net-zero by 2040, we invest in projects to reduce greenhouse gas emissions throughout our whole value chain. During the year, our climate goals were verified by the Science Based Targets initiative and we established the Green Fashion Initiative to support our suppliers in replacing fossil fuels. We also

signed long-term virtual power purchase agreements in the UK, Sweden and Spain to cover electricity consumption in our operations in a majority of European markets. This will not only help us reduce our greenhouse gas emissions, but also secure our energy prices.

Our sustainability work was recognised by, among others, the Dow Jones Sustainability World Index for the 11th consecutive year. As one of only 12 global retail companies in the index, we are assessed as a leader in environmental, social and governance performance.

Investments in sustainability provide the group with long-term business opportunities. By building strategic partnerships with key stakeholders and growing in various innovative ways such as circular business models, we can grow our business in a way that decouples our financial growth and profitability from the use of finite natural resources. A good example of this is majority-owned fast-growing Sellpy, which is already one of the biggest players in second-hand fashion in Europe.

Our investment arm CO:LAB is a way for us to explore new business models, and in addition to Sellpy we have invested in startups such as Smartex, Renewcell and Colorifix, to mention just a few. Our investments have in a short time created significant value, for example by improving the customer experience and enabling scaling and commercialisation of recycled and more sustainably sourced materials.

We will continue to make investments in new business models, materials and technologies that have the potential to drive radical shifts in how we make and remake our products, and how our customers can experience fashion. Alongside these efforts, we will keep working for increased levels of transparency to empower customers to make more informed decisions about the products they buy.

Outlook

Looking ahead, our main focus is on continuing to invest in and develop our customer offering and shopping experience for our unique brands, so that we keep meeting and exceeding our customers' needs and expectations.

Despite the turbulent world around us, H&M Group stands strong with a wide customer base, a robust financial position, healthy cash flow and a well-balanced inventory. Sales in 2023 have started well, showing that we can grow even in troubled times and when customers' purchasing power is diminishing. We expect the external factors that have negatively affected our purchasing costs to gradually reverse and become positive in the second half of 2023.

Our financial strength and long-term approach enable us to continue investing, and we are increasing capex from SEK 7 billion in 2022 to SEK 10 billion in 2023. All factors combined, there are very good prerequisites for 2023 to be a year of increased sales and improved profitability. Thus, our goal of achieving a double-digit operating margin for full-year 2024 remains in place. We see great potential for future expansion — despite our size, we can still grow and prosper further in new and existing markets.

This is all thanks to the commitment from colleagues all around the world, who continue to build our company, stand true to our values and ensure we always realise the business idea that our founder laid the ground for 75 years ago — to deliver our customers unbeatable value with the best combination of fashion, quality, price and sustainability.



Helena Helmersson, CEO
H & M Hennes & Mauritz AB



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224

BILLION SEK IN NET SALES,
+12% VS. 2021

~30%

ONLINE SALES AS A SHARE OF THE
GROUP'S NET TOTAL

79

MARKETS WITH ONLINE SALES IN
58 MARKETS

24

BILLION SEK IN CASH FLOW FROM
OPERATING ACTIVITIES

84%

RECYCLED OR OTHER MORE SUSTAINABLY
SOURCED MATERIALS IN OUR COMMERCIAL
GOODS. INCLUDES 23% RECYCLED
MATERIALS, TAKING US CLOSER TO OUR
GOAL OF 30% RECYCLED MATERIALS BY 2025

44%

ABSOLUTE REDUCTION OF PLASTIC
PACKAGING COMPARED TO 2018 BASELINE,
ACHIEVING OUR PLASTIC REDUCTION
TARGET OF 25% AHEAD OF TIME

150,000

EMPLOYEES - CONVERTED INTO FULL-TIME
POSITIONS, THE NUMBER WAS 106,522

75%

OF THE POSITIONS OF RESPONSIBILITY
WITHIN OUR OPERATIONS ARE HELD
BY WOMEN

Key figures

1 DECEMBER–30 NOVEMBER	2022	2021	2020
Net sales, SEK m	223,553	198,967	187,031
Change net sales from previous year in SEK, %	+12	+6	-20
Change net sales previous year in local currencies, %	+6	+12	-18
Operating profit, SEK m	7,169	15,255	3,099
Operating margin, %	3.2	7.7	1.7
Profit after financial items, SEK m	6,216	14,300	2,052
Profit after tax, SEK m	3,566	11,010	1,243
Cash and cash equivalents and short-term investments, SEK m	21,707	27,471	16,540
Stock-in-trade, SEK m	42,495	37,306	38,209
Average number of shares outstanding, thousands ¹	1,649,847	1,655,072	1,655,072
Earnings per share, SEK ¹	2.16	6.65	0.75
Cash flow from operating activities, SEK m	24,476	44,619	25,900
Dividend per share excluding own shares, SEK ^{1,2}	6.50	6.50	-
Return on equity, %	6.4	19.2	2.2
Total number of stores	4,465	4,801	5,018
Average number of employees	106,522	107,375	110,325

1 DECEMBER–30 NOVEMBER	GOAL	2022	2021	2020
Climate: % absolute reduction in GHG emissions (scope 1, 2 and 3 ³) compared with 2019 baseline ⁴ .	-56% by 2030	Scope 1 & 2: -8% Scope 3: -7	Scope 1 & 2: -22 Scope 3: -3	Scope 1 & 2: +15 Scope 3: -8
Climate: % renewable electricity in own operations	100% by 2030	92	95	90
Commercial goods: % of recycled or other more sustainably sourced materials used				
– Total	100% by 2030	84	80	65
– Other more sustainably sourced	-	61	62	59
– Recycled	30% by 2025	23	18	6

1) Before and after dilution, excluding own shares.

2) Dividend which was decided and paid during the year.

3) Excluding use-phase emissions.

4) In 2022, we changed the reporting year for energy data and greenhouse gas (GHG) emissions to align with our financial year. Therefore, we have updated our emissions calculations, including historic data. Read more about our data calculations in our [sustainability disclosure](#).

For definitions and explanations in this report, see page 116.

Sales and stores per region

	NET SALES 2022 (SEK M)	NET SALES 2021 (SEK M)	NEW STORES (NET) DURING THE YEAR	NUMBER OF STORES 30 NOV 2022
The Nordics	20,128	19,675	-28	399
Western Europe	71,452	63,648	-48	1,079
Eastern Europe ¹	21,991	22,718	-172	481
Southern Europe	28,611	25,550	-27	623
North & South America	50,990	40,230	-16	740
Asia, Oceania & Africa	30,381	27,146	-45	1,143
Total	223,553	198,967	-336	4,465

1) Eastern Europe was impacted by the war and the fact that all sales in Russia, Belarus and Ukraine were paused at the time of the invasion. In August stores in Russia were reopened to sell off the remaining stock as part of the winding down of the Russian operations. As the goods sold out, the stores were closed permanently. The stores in Belarus were also reopened during the autumn and sold off their stock. The last stores in Russia and Belarus closed on 30 November.



Highlights 2022

Dow Jones Sustainability Index

H&M Group was included in the Dow Jones Sustainability World Index for the 11th year running. As one of only 12 global retail companies in the index, the score put H&M Group in the list of global companies recognised as leaders in environmental, social and governance performance. We were also included in the S&P Global Sustainability Yearbook.

Second hand platform Sellpy

Sellpy continues to grow rapidly and increased sales by 85 percent in 2022. Sellpy is already one of the biggest providers of second hand fashion in Europe and is expected to exceed 1 billion SEK in sales in 2023. More than eight million second hand items were traded on the platform across 24 markets in 2022.

Green Fashion Initiative

We established the Green Fashion Initiative to support our suppliers in replacing fossil fuels. As of January 2023, we have 17 approved projects with a potential annual reduction of 50,000 tonnes CO_{2e} in our supply chain, and a potential additional reduction of approximately 140,000 tonnes beyond our own value chain.

CDP score of A- in climate

H&M Group achieved CDP scores of A- in the climate module, which is the second-best score of a company's environmental performance and transparency connected to it.

H&M Move

The group's newest initiative H&M Move, a broadened sportswear assortment, has been well received since its launch in August. It is designed to reduce barriers to sports and get everybody moving.

Climate Goals SBTi approved

Our climate goals were verified by the Science Based Targets initiative. The ambition is to achieve net-zero greenhouse gas (GHG) emissions by 2040 and to reduce absolute scope 1, 2 and 3¹ GHG emissions by 56 percent by 2030².

New markets

H&M opened its first stores in Ecuador, Kosovo, North Macedonia, and via franchise in Cambodia, Costa Rica and Guatemala.

New partnerships for renewable solar energy

We signed long-term virtual power purchase agreements (VPPAs) in the UK, Sweden and Spain to cover electricity consumption in our own operations in a majority of European markets. This will not only help us reduce our greenhouse gas emissions, but also secure our energy prices. As part of having signed Sweden's largest VPPA, the construction of a solar park will commence in 2023, which will supply H&M Group with renewable electricity at a fixed price.

1) Excluding use-phase emissions.

2) Baseline is 2019.

New Water Strategy 2030

We reduced relative water consumption in our supply chain by 38 percent, compared to a 2017 baseline. Building on this achievement, we launched our Water Strategy 2030, which focuses on absolute water use reduction rather than measuring relative water efficiency, to clearly decouple growth from resource use.

Corporate Responsibility Reporting Awards

Our 2020 Sustainability Performance Report was second runner-up for the Best Report and winner for Relevance & Materiality. The report was also first runner-up for the Best Carbon Disclosure Report, second runner-up for Creativity in Communications, and fourth runner-up for Openness & Honesty.

Community Investment Initiatives

We contributed 114.2 million SEK to community investment initiatives, reaching 745,517 beneficiaries.

Fashion Transparency Index

We were ranked fourth out of 250 fashion brands and retailers reviewed by Fashion Revolution's 2022 Fashion Transparency Index. Companies are ranked according to their level of public disclosure of key topics such as human rights and environmental policies, practices and impacts.



Our overall business idea

The year 2022 marked 75 years since our founder Erling Persson was inspired to build the foundation for a customer-focused, creative, value-driven and responsible fashion and design company, offering customers all around the world the best combination of fashion, quality, price and sustainability.

We give our customers unbeatable value and access to a more sustainable lifestyle. Our business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware through our unique brands and ventures — H&M, H&M HOME, H&M Move, COS, Weekday, Monki, & Other Stories, ARKET, Afound, Singular Society, and our B2B initiative Creator Studio. We are also the majority shareholder in Sellpy.

Our customers are at the heart of every decision we make, and we are continually working to build long-term value-creating relationships with them to create the best possible offering and inspiring experience. This is why we are continuing to integrate our digital and physical channels, to create a customer demand-driven supply chain, and to add new emerging business models and innovations.

We aim to grow our business in a way that decouples our financial growth and profitability from the use of finite natural resources, so that business and communities can thrive within the planetary boundaries. In early 2022, we strengthened this ambition by introducing a goal to double our sales while halving our greenhouse gas (GHG) emissions by 2030¹.

Our financial strength and long-term approach give us the ability to continue investing in improvements to our customer offering and experience as well as in innovations across our value chain such as in tech development, materials and new business models. Customers' demand for more sustainable products and services is expected to further grow and our offering is well positioned for this. United by our values, we have an ambition to lead the change towards achieving a circular fashion industry with net-zero climate impact, while being a fair and equal company.

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

1) The baseline for the sales goal is 2021, while the baseline for reducing greenhouse gas emissions is 2019, in accordance with the Science Based Target initiative.



Our culture and values

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

At the core of our business is a fundamental respect for the individual. This applies to all those involved in and impacted by our business, and includes aspects such as fair wages, working hours, freedom of association, and the opportunity to develop and grow. A solid foundation of fair labour standards and social policies across our operations and supply chain enables good working conditions in safe and healthy environments.

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

We strive to be a fair, equal and relevant employer. Our employees are trusted with great responsibility from the start and are encouraged to seize development opportunities across our brands and functions. Extensive internal recruitment makes it possible to explore a wide variety of roles, and to continue to grow with our business. Our ambition is for leaders to be role models — empowering, challenging and supporting everyone to make a difference.

As a global company with colleagues from 175 nationalities, we represent many different cultures and backgrounds. This is an important foundation for us, as it brings a wealth of diverse knowledge, experience and perspectives that enable creativity and innovation. Our diversity makes us strong, and we actively work to create inclusive and welcoming workplaces where everyone is encouraged to be themselves and respect others for who they are.

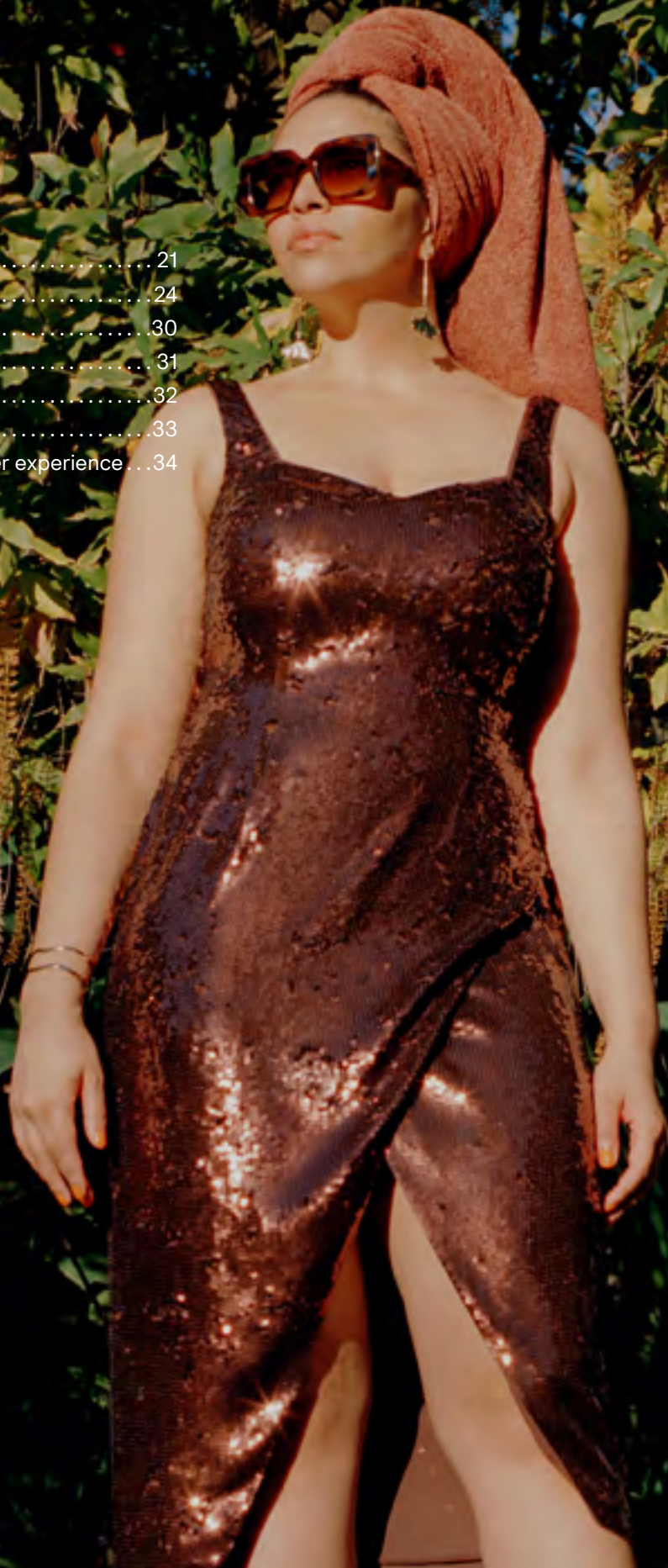
At the end of the 2022 financial year, H&M Group had approximately 150,000 employees. Around 75 percent were women and 25 percent were men¹. In leadership roles, such as store and country managers, women represented 75 percent and men 25 percent. The average number of employees in the group, converted into full-time positions, was 106,522, of which 10,447 were employed in Sweden.

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



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Fashion and design

Our brands and business ventures want to enable people all around the world to express themselves through more sustainable fashion and design. Each of our brands has a design and buying function that closely follow trends and fashion to create inspiring and relevant assortment.

Our long experience in this field, in combination with customer focus and creativity, are core to the process of creating what our customers want, always with the ambition to deliver value beyond the price our customers pay.

Our many in-house designers bring their diverse backgrounds, perspectives and skills to create collections based on trend forecasts and analysis of customer preferences. Their work is enhanced by technologies such as 3D design and virtual showrooms, decreasing the need to make and ship physical samples, which can save time, resources and reduce environmental impact. In addition, artificial intelligence (AI) capabilities help to optimise how many products to make, where to sell them and when. Aligning supply with customer demand is not only good for our customers, but also for our business and the environment. This supports our ambition to shift to a more circular business across every part

& Other Stories launched its first capsule collection exploring design for circularity, and H&M launched its Cherish Waste and Metaverse collections — all designed using our own product development tool Circulator.

H&M and Monki have made denim collections according to the Ellen MacArthur Foundation’s Jeans Redesign guidelines, and approximately 40 percent of Weekday’s SS23 denim assortment meets these guidelines. The jeans are designed to be used more, made to be made again, and made from safe and recycled or renewable materials.

of our value chain — from designing products that are created to last and made of recycled, organic or other more sustainably sourced materials, to product development, production and customer use, reuse and recycling.

Design is an important first step in developing products that provide the greatest possible value to our customers. Our aim is to use the design process to select materials and processes with a lower negative impact that support a long product life — through multiple users — before enabling the product to be fed back into the supply chain for recycling into new fibres.

Our circular product development tool and guide, Circulator, makes predictive assessments on aspects such as durability, recyclability, and the environmental footprint of materials and processes, so that our product designers can make informed choices and balance potential trade-offs.

We want to drive positive change in the industry, and we use our size and influence to do so. One important aspect of this is to support increasing levels of disclosures across our sector. Transparency enables both accountability and comparability, which empowers customers to make more informed decisions about the products they buy. Together with peers and stakeholders, we have a long history of reporting our progress on sustainability, alongside

testing and piloting new ways of tracing materials and collecting and sharing data — with the aim to challenge the status quo and highlight areas for improvement. We were the first global fashion retailer to make its supplier list public in 2013, and today we publish it in accordance with the [Transparency Pledge](#), covering most of our tier 1 and 2 suppliers. We were also one of the first brands to test and pilot industry comparable impact data on product level to enable customers to choose more sustainable products.

Recent scrutiny of the fashion industry, including H&M Group, in relation to sustainability claims, highlights the need for us to continue increasing levels of transparency. Historically there has been a lack of legal guidance and standardisation around sustainability claims, and we welcome harmonised legislation and guidance as we take our next steps. Our intention is to continue providing transparent impact data to customers and other stakeholders. Increased transparency makes it easier to identify faults and opportunities for improvement, which ultimately helps drive positive change. We will continue to engage with stakeholders and policymakers to jointly develop an industrywide standard for product transparency.

Read more in our [sustainability disclosure](#) about how we work to increase transparency.

Traceability is key to enabling greater transparency. We continue to scale existing initiatives and explore new technologies to further improve the traceability of materials across the supply chain, from fibre to finished product. In 2022, we scaled our traceability programme with [TextileGenesis™](#) to several pilots using blockchain technology, such as rolling out a project for all man-made cellulosic fibres and recycled polyester. We initiated the process for tracing more than 200 million H&M Group pieces on the [TextileGenesis™](#) platform, and approximately 44 million pieces have so far been fully traced¹.

1) [TextileGenesis™](#) creates article-level traceability from fibre to product using digital tokens (Fibercoins), ensuring there is no “double-counting” of materials. The mechanism enables reliable, real-time data and ensures verification of the origin of materials.



Our brands and business ventures

All our brands and business ventures share the same passion for making great and more sustainable fashion and design available to everyone. Each brand has its own unique identity,

and together they complement and strengthen each other — all to offer customers unbeatable value and to enable a more circular lifestyle.



H&M

H&M is a fashion brand offering everyone the possibility to explore their personal style. H&M always strives to offer the best combination of fashion, quality, price and sustainability with collections for women, men, teenagers, children and babies. Customers will find everything from unique designer collaborations and functional sportswear to affordable wardrobe essentials, beauty products and dazzling accessories.

H&M has 3,947 stores in 78 markets and is available online in 58 markets.

[hm.com](https://www.hm.com)



H&M HOME

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

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

[hm.com/home](https://www.hm.com/home)



H&M Move

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

H&M Move offers collections for women, men and kids online and in around 2400 stores worldwide at dedicated areas within H&M stores.

hm.com/move



COS

Inspired by contemporary culture, the London-based fashion brand is known for iconic wardrobe pieces, elevated essentials, and innovative designs that are made to last. Dedicated to quality and sustainability, COS takes a bespoke approach to design, creating unique collections that combine function with timeless style. Experimental design details and material innovation are frequently revisited to include the latest sartorial advances and ensure the considered and responsible use of fibres.

COS has 259 stores in 47 physical markets and online stores in 38 markets. The assortment is delivered to additional markets via global selling and is also available on external platforms.

cos.com



Weekday

Weekday is a street fashion and lifestyle brand for and by the creative generation. Driven by creativity and progressive values, fuelled by relevant culture, subculture and trending topics, Weekday offers a unique retail experience, both online and in-store.

Weekday has 54 stores in 15 markets. It ships to customers in 29 online markets as well as more markets via global selling. It is also available on external platforms and at selected wholesale partners.

weekday.com



Monki

Monki is a purpose-driven fashion brand that believes in sisterhood, the power of community and in contributing to a more sustainable fashion industry. Monki's signature collections can be described as Scandinavian cool meets Asian street style, offering everything from essentials to stand-out pieces, all made for individual styling. Founded in 2006, Monki has been part of H&M Group since 2008.

The Monki experience is available in 78 stores in 17 markets. Online, Monki delivers to 29 markets and ships to more destinations worldwide via global selling and external platforms.

monki.com



& Other Stories

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

& Other Stories has 78 stores in 24 markets and online stores in 32 markets. The brand also delivers to more markets via global selling as well as external platforms.

[stories.com](https://www.stories.com)



ARKET

ARKET is a modern-day market and lifestyle destination offering essential products for men, women, children and the home, as well as a New Nordic vegetarian café. ARKET's mission is to democratise quality through widely accessible, well-made durable products, designed to be used and loved for a long time. ARKET's head office and design studio is in Stockholm. The wide assortment of fashion, food, scents, beauty and functional home items is curated to simplify good choices and provide inspiration for a more beautiful everyday life.

The first ARKET store opened in London in 2017 and today ARKET has 25 stores in 11 markets across Europe and Asia. ARKET is available online in 31 markets and ships to more via global selling. It is also available on selected external platforms.

[arket.com](https://www.arket.com)

Our business ventures

Our business ventures all share the mission of exploring and testing to scale businesses based on innovative models and new partnerships, to increase our ways of engaging with and creating value for our customers. Our ventures create new revenue

streams and are an important part of delivering future growth for H&M Group. Examples of our business ventures are Afound, Singular Society, Creator Studio and majority-owned Sellpy.



Afound

Launched in 2018, Afound is a digital marketplace offering great deals on fashion, beauty, sports and interior products from past and present collections for women, men and kids. It is currently present in seven markets. With the mission to be the destination for amazing discounts on everything, always, Afound delights its customers with year-round discounts on external fashion and lifestyle brands. By offering items that haven't reached their customer at full price, Afound gives products a second chance to come to use — and its customers the opportunity to score a great deal.

afound.com



Singular Society

Founded in late 2020, Singular Society is a membership-based brand that for a yearly fee offers its members curated premium home and wardrobe essentials — at the price they cost to make.

Singular Society is currently shipping to the EU and has a flagship store in Stockholm, Sweden.

singular-society.com



Creator Studio

Creator Studio is a B2B service offering on-demand print services. This global platform for the merchandise industry allows external brands and content creators to offer quality products by utilising a lean production process, international logistics networks, advanced made-to-order digital printing and integrated e-com setup.

creatorstudio.com



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. Following its 2021 expansion into 22 European markets, Sellpy is currently available in 24 markets, including Sweden.

sellpy.com

Our omni-model

Our brands and business ventures work together to continuously meet our customers' ever-evolving expectations. We want to offer a convenient and inspiring experience wherever, whenever and however our customers around the world want to meet us — in our stores or on all digital touchpoints such as our websites, apps, social media and digital marketplaces.

We are focusing our expansion on omni-channel growth — increasingly integrating our digital and physical channels so that they interact and strengthen each other, facilitating a seamless, holistic customer journey.

By engaging our customers in various ways, we are building long-term, value-creating relationships that stretch far beyond only purchases of products. Our aim to work towards circularity across the entire value chain — including products, supply chains and customer journeys — supports our efforts to work for longevity rather than one-off transactions.





Circular customer journeys

We continue to increase value for our customers by providing convenient services that enable products to circulate and resources to be kept in use for as long as possible through scaling initiatives such as reuse and recycling models.

We test and invest in innovative services that span the whole product lifecycle, including garment rental, second-hand, remake, repairs, alterations, garment collecting for textile reuse and recycling and preferred delivery options¹ — all to help customers make well-informed choices, while creating new revenue streams and supporting the shift to a circular, net-zero fashion industry.

Read more about our customer-facing circular business models in our [sustainability disclosure](#).

We focus on three areas within our customer-facing circular business models:



USE & CARE

We encourage our customers to explore their style and increase the use of their clothes, offering inspiration on how to prolong the life of their garments through care and repair initiatives.



COLLECT & SORT

We offer our in-store garment collecting programme worldwide to our customers. Our aim is to ensure the donated products are sorted for the most suitable outcome, including reuse as a product or material, or recycling. In 2022, our customers handed in 14,768 tonnes of textiles.



ACCESS

We offer a range of rental and reuse services through which customers can experience fashion while enabling products to circulate. For example, we are the majority shareholder in Sellpy, a digital platform in 24 markets that offers second-hand fashion and other products. In addition, our brands have successfully enabled customers to engage with second-hand fashion and other initiatives, depending on market, channel and brand DNA.

¹⁾ Delivery options emitting less greenhouse gas emissions compared to conventional delivery options, including 100% biofuel, electric and zero emissions vehicles.

Stores

Our stores welcome customers around the world every day by being a shopping and fashion destination where people can be inspired and physically explore and experience our brands, while we build relationships and provide them with the relevant service.

The role of the store has evolved, and we continue to optimise our store portfolio to ensure we have the right store with the right format in the right place to meet our customers' needs. We increase convenience by digitalising the in-store experience and providing omni services, and we continuously elevate our assortment to emphasise storytelling about our fashion and the value for money we provide. Stores are touchpoints on our customers' journeys, and customers clearly show that they appreciate our stores for proximity, availability, and the opportunity to try on clothes and create looks that they have seen in digital channels.

Stores are also an important part of the supply chain, especially with last-mile options, where customers can combine shopping with omni services such as click and collect, pick-up in store and online returns. By adapting how we use our stores and combine different service offerings, we aim to always offer a smooth and flexible shopping experience to keep meeting evolving customer expectations.

We build, furnish and operate our stores in line with our sustainability goals. We continue to focus on lowering energy consumption, and the majority of our stores are now being equipped with LED lightning. We also focus on smart design and build, using circular principles to carefully decide on the stores' interiors — elevating the shopping experience while working to reduce, reuse, repair, recycle and utilise recycled or more sustainably sourced materials.

As we continue to grow and integrate physical and digital channels, we are adjusting the number and type of stores in each market to secure a healthy and relevant portfolio. H&M Group's contracts allow around a third of leases to be renegotiated or exited each year. In 2022, we opened 91 (104) new stores and closed 427 (321) stores¹. This resulted in a net closure of around 336 stores. We had 4,465 stores in 78 markets at the end of the financial year. Most openings are in growth markets, while closures mainly are in established markets. In some markets our products are sold via franchise partners.

1) 175 of the stores closed were in Russia and Belarus, where the business was wound down during the year.

Online

Our online and physical stores complement one another, strengthening the offer to our customers. In addition to increasingly integrating these channels to offer a truly seamless experience, we are continuing to enhance the online experience to engage with our customers in relevant ways. For example, we have added new digital experiences in some markets that help our customers discover and browse our assortment in inspiring ways and engage further with our offering by creating and sharing their own styleboards. Also, H&M widened its customer offering online in some markets to include products from other brands. Furthermore, we are also improving the navigation and search experience to help our customers find items they love.

All our brands have well-developed online operations. H&M has a presence in 58 online markets. COS, Weekday, Monki, & Other Stories and ARKET offer global selling, which enables customers in around 70 additional markets to shop online. The exact number of markets that have this service varies between brands. Several of our brands can also be found on various external marketplaces.

Our increasing focus on AI and tech is key to becoming a more data-driven business. For example, in 2022 we launched a competition with Kaggle — an online community of data scientists — to design algorithms for online product recommendations that enhance the customer experience.



Initiatives for an improved customer experience

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

- **H&M customer loyalty programme.** Members benefit from personalised offers and digital services, providing inspiration and a smooth customer experience. Members are also rewarded for contributing to a more sustainable lifestyle such as by handing in garments to our garment collecting initiative, choosing a preferred delivery option when shopping online, and bringing their own bag when shopping in store.
- **More payment options.** Members of H&M can pay now or later through the H&M app, whether shopping in store or online.
- **Digital receipts.** Customers can receive digital receipts in the H&M app in most markets.
- **Visual Search.** Image recognition helps customers by making recommendations and suggesting potential buys based on pictures the customer has taken or been inspired by.
- **Deliveries.** Next-day delivery, express delivery and preferred delivery options continue to be rolled out in more markets.
- **Find in Store.** On seeing an item online, customers can use their mobile to find it quickly and easily in the size they want, in a physical store as well as online.
- **Scan & Buy.** Customers can scan the QR code on a product in store to find and buy the item online in the size and colour they want.
- **Click & Collect** allows customers to pick up online purchases in store.
- **In-store online returns** let customers return their online purchases in store.
- **#HMxME** enables customers to share their own fashion stories from Instagram while also providing an easy way to buy the items.
- **Rate & Review** lets customers rate and review H&M products.
- **RFID (Radio Frequency Identification)** means that items have a digital tag that can provide precise information on an item's availability.
- **Self-service checkouts** offer customers a convenient purchasing option.
- **Instagram.** In the US, H&M customers can shop directly from inspirational images and videos on Instagram and receive in-app notifications when H&M releases new collections.
- **Rental in store** offers customers in selected markets the opportunity to rent occasion wear.
- **Styleboard.** Members can create their own mood boards in the H&M app and shop directly from those. Customers can also add items to their styleboards from brands outside the H&M universe.
- **Personalised start page** offers customers tailor-made inspiration and advice based on individual preferences.
- **Stylestory** is a creative tool enabling customers to express and share their favourite styles with other customers, who in turn can discover and shop directly for the styles that inspire them.
- **Smart mirrors** are being tested in COS fitting rooms in the US. The mirrors recognise products brought into the room and can offer personalised product and styling recommendations.
- **Buy online, pick-up in store** allows customers to shop online from the assortment in a physical store and pick up the purchase in store.



Demand-driven supply chain

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Customer demand-driven production

We continuously engage with our customers to meet and exceed their needs and expectations, so we can offer them unbeatable value with the best combination of fashion, quality, price and sustainability.

Long-term investments and close relationships with our suppliers enable an efficient and demand-driven supply chain, which can react quickly to trends and ever-changing customer demands — all to ensure we deliver the best customer offering and experience across all sales channels at the right time.

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

We continue to make long-term investments in our supply chain to optimise the flow of goods with a focus on maximising customer satisfaction, while minimising negative environmental and social impacts. Speed, availability, cost efficiency and accuracy are decisive key factors for achieving this. By using AI and data across the whole supply chain, we can ensure better precision in our quantification, allocation, pricing, personalisation and local relevance — contributing to leaner production and a more sustainable use of resources.

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

Our supply chain is built on long-term strategic partnerships, mutual trust and fair purchasing practices. We maintain a close dialogue with our suppliers through our production offices located in the different sourcing markets. Together, we continually work on improving our products and addressing environmental and social impacts in our supply chain.

We have invested in Global Startup Award winner Smartex, and are now using its innovative AI technology to identify faults during production. By avoiding unnecessary production of faulty yarn and fabric, we improve resource efficiency.



A large part of our environmental footprint occurs in the supply chain — particularly in fabric manufacturing and processes like dyeing and washing, which are often energy- and water-intensive. In 2022, we launched our Water Strategy 2030, developed with input from brands, NGOs, water experts and key suppliers in each region. The strategy focuses on our absolute water use rather than measuring water efficiency, to clearly decouple growth from resource use. We also continued investing in Colorifix and Alchemie, start-ups that have developed dyeing processes that use less water, chemicals and energy than conventional processes. These processes have already been used for some of our collections. We will continue working with our suppliers and other partners to improve resource efficiency and protect water availability, while creating a more circular, resilient and demand-driven supply chain.

Our new Reverse Supply Chain function focuses on retrieving garments from our customers and materials from our suppliers, feeding them back into our supply chain as valuable resources. To demonstrate the potential for recycling blended fibres, we have supported the installation of Hong Kong Research Institute of Textiles and Apparel's (HKRITA) Green Machine at one of our Indonesian suppliers. The supplier will use its own and other companies' production leftovers as feedstock for the process.



Towards recycled, regenerative and responsibly sourced materials

Our industry is heavily reliant on materials. Therefore, it is vital to choose, create demand for and innovative materials with lower negative impact — alongside working to reduce our overall resource use and decouple it from business growth.

Our goal is for 100 percent of our materials to be either recycled or sourced in a more sustainable way by 2030 (in 2022 we achieved 84 percent). A milestone toward this goal is to achieve 30 percent recycled materials by 2025.

We have set a new long-term materials vision to move towards a resilient and circular material sector that stays within planetary boundaries, enhances livelihoods and thrives on innovations. Our vision is built on three pillars:

- **Recycled:** prioritise post-consumer closed-loop recycled materials that have the potential to be reused and recycled again.
- **Regenerative:** use key virgin raw materials produced using regenerative agricultural practices that help improve soil health and enhance livelihoods and ecosystems.
- **Responsible:** source materials with the overall aim to reduce environmental impact, respect human rights and protect animal welfare. This is the foundation of all our sourcing decisions.

By investing in, developing and scaling production of innovative materials, recycling innovations, technology and infrastructure, we get greater access to the materials, which can also mitigate future risks connected to resource scarcity and help reduce our negative impact on the planet. Our aim with investments goes beyond achieving our sustainability goals and supporting the long-term growth of H&M Group — we look for investments and technologies that the entire industry can benefit from.

Two examples of innovative companies we have invested in over the years and that keep scaling up are Renewcell and Infinited Fiber Company — both using garment recycling technologies to produce their materials Circulose® and Infinna™. We were not only one of the first companies to start offering garments made of these innovative materials, but we have signed a multi-year agreement to secure future access to them.

We have invested in Materra™, which has developed a technology to grow cotton that has the potential to increase yields and fibre quality, while minimising water and pesticide use. Our Circular Innovation Lab worked with Materra to set up a pilot in India, with the first crop yield harvested at the end of 2022 for use in collections by COS.



The ability to recirculate resources again and again, maintaining quality and minimising impact, is a key step towards reaching a circular fashion industry. This is why supporting new recycling technologies is a strategic continuation of our in-store collecting initiative for used garments and home textiles, from any brand and in any condition, to be reused and recycled.

Read more about how we work with material choices in our [sustainability disclosures](#).

H&M Group was recognised as one of 47 leading companies out of 292 analysed in the Textile Exchange [2021 Material Change Leaderboard](#). We were one of 16 companies identified as leading on circularity and one of 17 companies identified as leading on progress against the Sustainable Development Goals.

Reducing greenhouse gas emissions

Our climate goal is to reduce our absolute scope 1, 2 and 3¹ greenhouse gas emissions (GHG) by 56 percent by 2030, against a 2019 baseline. Our long-term goal is to reach net-zero by 2040. These goals were verified in 2022 by the [Science Based Targets initiative](#).

To reach our goals, we ultimately need to reduce our overall resource use by creating products our customers want, made with lower-impact materials and processes. We are investing in projects to reduce GHG throughout our whole value chain. So far, we have invested in more than 20 projects focusing on increasing our share of more sustainable materials and renewable energy, phasing out coal, advancing energy efficiency and enabling carbon removals, where return on investment is measured by GHG emission reductions, not financial gain. For example, we launched the Green Fashion Initiative to help our suppliers become more energy efficient and transition away from fossil fuels. We are also a lead investor in the [Fashion Climate Fund](#), which is designed to drive collective action to tackle supply chain GHG emissions. In January 2022, we stopped onboarding new supplier factories with on-site coal boilers.

In support of our overall climate goals, we aim to source 100 percent renewable electricity in both our own operations and our supply chain by 2030. We have signed agreements with developers of new solar farms to secure renewable energy for many years to come. This will not only help us reduce our GHG emissions, but also secure our energy prices and increase the amount of new renewable electricity

generation added to electrical grids. We have also set up internal carbon pricing to influence our decisions about which materials, production processes and transport modes to use, helping us reduce GHG emissions.

Even after the greatest possible reduction of GHG emissions across our value chain, a certain percentage of unavoidable emissions will remain. Therefore, we also invest in solutions to remove carbon dioxide from the atmosphere. In 2022, we signed a multi-year carbon removal agreement with [Climeworks](#), which covers the removal of 10,000 tons of carbon dioxide via direct air capture and storage technology. We also joined the [LEAF Coalition](#) (Lowering Emissions by Accelerating Forest Finance) — a public-private initiative that focuses on mobilising large-scale financing to countries committed to making ambitious reductions in tropical deforestation.

By continuing to collaborate, innovate and invest in transitioning toward a circular fashion industry, we will further decrease the amount of virgin resources and energy intensive processes we use and thereby reduce our GHG emissions.

Read more about how we work with reducing GHG emissions in our [sustainability disclosure](#).

Our [sustainability-linked bond](#), which was issued in 2021, continues to provide an opportunity for investors to support, among other things, an accelerated transition to recycled materials and reduction of GHG emissions (scope 1, 2 and 3) in our supply chain.

1) Excluding use-phase emissions.

Fair jobs and positive social impacts

All people involved in our value chain are essential to our business, and it's our responsibility to respect their rights, driven by our values and commitment to be a fair and equal company. Our tier 1 and 2 production supply chains alone contribute to the employment of around 1.3 million people. We work to advance the human rights and working conditions of everyone working across our value chain, while also supporting them to know their rights.

We focus on supporting decent jobs with fair compensation and benefits in safe, secure workplaces free from discrimination, where workers have a voice, equal opportunities to develop, and freedom of association is respected.

Our work is aligned with the International Labour Organization's (ILO) Fundamental Principles and Rights at Work, and is informed by the ILO's definition of decent work, our Human Rights Policy and the UN Guiding Principles for Business and Human Rights, among others. We require all business partners to comply with our Sustainability Commitment and sign our Code of Ethics, and we continuously conduct stringent due diligence of our supply chains. As part of this, we assess not only our salient human rights issues on an annual basis, but also the long-term risks and impacts for different parts of our operations and value chain — such as what a shift to a net-zero and circular fashion industry could mean for future work across our value chain.

Our work on wages in our supply chain was assessed as “advanced”, the second highest category, in the Platform Living Wage Financials 2022 Annual Report. Besides H&M Group, only one more retailer in the garment and footwear sector was included in this category. Also, our work on data collection and impact on the ground were highlighted as best practice.

Our business impacts people all over the world, and we want to ensure that impact is positive. We recognise the interconnectedness between environmental issues — such as climate change, resource use and water scarcity — and social impacts affecting equity, health and livelihoods. Together with our suppliers and other partners, we can accelerate positive impact for millions of people and their communities — as well as reducing environmental impacts. At the same time, we can further improve resource efficiency and skill sets, and help bring about a just transition to a circular economy, while creating a demand-driven and resilient supply chain.

Read more about how we work with social impact in our sustainability disclosure.

Logistics and distribution

Our holistic approach to continuously meeting our customers' demands while ensuring we limit negative environmental and social impact also applies to our logistics and distribution centres. Together with our investments within tech and AI, these centres are an important part of our omni-model.

We are innovating across our global network by developing new, highly automated logistics centres. These are designed to create additional capacity, flexibility and speed between sales channels, enabling improved availability. For example, in the first half of 2023 a new logistics centre in Ajax, Canada is scheduled to start its operations, supplementing those recently opened on the US East and West Coasts. These new highly automated facilities create further capacity for our continued expansion in North America.

We maintain constant focus on optimised transport solutions to deliver on our customers' expectations, while taking action to reduce our greenhouse gas (GHG) emissions. We select equipment that optimises efficiency, and fill transport units to their maximum level to reduce the number of units required. Across all modes of transport, and with the support of our transport service providers, we are committed to tracking and analysing data to measure progress and secure a future reduction in our GHG emissions.

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

We work solely with ocean carriers that are verified in accordance with Clean Cargo Working Group protocol. Air freight makes up less than one percent of our inbound volumes, and we are active members of BSR's Sustainable Air Freight Alliance, which drives the environmental agenda to reduce GHG emissions and promote responsible transports. We have also created frameworks for the design and construction of new distribution centres, focusing on employee wellbeing as well as reducing pollution and waste, using renewable energy and supporting biodiversity.

Packaging

Our products need to be protected during their journeys between our suppliers, distribution centres, stores and customers, to prevent damage and waste. We are committed to lowering the environmental impact of our packing, guided by our Circular Packing Strategy, built on the Ellen MacArthur Foundation (EMF)'s key principles: eliminate, circulate and regenerate.

We prioritise areas where we are most likely to have the greatest impact, including reducing unnecessary and problematic packaging like hangers and plastic bags. One of our goals is to make 100 percent of packaging from recycled or more sustainably sourced materials, with a preference for post-consumer recycled materials. In 2022, we worked to optimise the size and weight of the FSC-certified paper online packaging bags that replaced single-use plastic bags for all our brands and markets.

Read more about our work toward achieving our packing goals in our sustainability disclosure.



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Sustainability – integrated in our business

H&M Group has a long history of actively working with sustainability. This goes back to our majority owners, the Persson family, having a long-term perspective and genuine interest in how we as a company can contribute to a more sustainable fashion industry.

Our values and our commitment to offering our customers fashion and quality at the best price in a more sustainable way, have guided us throughout the years, and continue to do so every day.

Sustainability is business critical, not only to fulfil our business idea, but also to meet evolving customer expectations and to ensure we future proof our business. Sustainability is therefore an integral part of our business, which means that each brand, retail market, production market and group function works to drive performance towards both our business and sustainability goals. The importance and value of our sustainability work for our business is further underlined in our 2030 goal, which combine targets for company growth and profit with greenhouse gas emissions reduction.

Investments in sustainability provide the group with long-term business opportunities. By building strategic partnerships with key stakeholders and growing in different innovative ways such as circular business models, we can continue to offer our customers unbeatable value and access to a more sustainable lifestyle, while supporting the transition towards a circular, net-zero fashion industry.

Our vision is to lead the change towards achieving a circular fashion industry with net-zero climate impact, while being a fair and equal company. This guides us in how we play our part in tackling climate change, supporting biodiversity, avoiding natural resource depletion and reducing social inequality. These and other risks to our business, the planet and people connected to our value chain are all interlinked, and to achieve our vision, we have defined a wide range of detailed strategies, policies and goals that are further explained in our [sustainability disclosure](#).



LEAD THE CHANGE

- Scale innovation
- Promote transparency
- Collaborate for industrywide progress



SUPPORT A CIRCULAR FASHION INDUSTRY WITH NET-ZERO CLIMATE IMPACT

- Become net-zero across our value chain by 2040, operating within planetary boundaries
- Have a net positive impact on biodiversity
- Scale circular models and systems for our products, supply chains and customer journeys



BE A FAIR AND EQUAL COMPANY

- Have a positive impact on all people across our value chain
- Support and promote inclusion and diversity in everything we do

RESPECT HUMAN RIGHTS



Key sustainability goals

We have set ambitious sustainability goals, which to the greatest possible extent are based on latest science, best practice and knowledge. To achieve them, we need to work closely together with our suppliers and partners.

Collaboration helps us progress towards our ambitions faster than we could alone. It also aids innovation and industrywide progress, as we learn from each other and work towards shared goals. Some of our key goals and our performance against them are presented in this report, and more detailed information can be found in our [sustainability disclosure](#).

Climate

2030: Reduce absolute scope 1, 2 and 3¹ greenhouse gas (GHG) emissions by 56 percent (baseline 2019).

Achievement 2022: 8 percent reduction in scope 1 and 2 emissions and 7 percent reduction in scope 3 emissions (from 2019 baseline).

Materials and resources

2030: 100 percent of our materials in commercial goods to be either recycled or other more sustainably sourced materials.

Achievement 2022: 84 percent

2025: 30 percent of our materials in commercial goods to be certified recycled.

Achievement 2022: 23 percent

Packaging

2030: Make 100 percent of packaging from recycled or other more sustainably sourced materials, with a preference for post-consumer recycled materials.

Achievement 2022: 85 percent

2025: 25 percent reduction in plastic packaging (baseline 2018)

Achievement 2022: 44 percent

Water

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

2025: Reduce absolute total freshwater use by 10 percent (baseline 2022).

Achievement 2022: Above goals for 2025 and 2030 are part of our new water strategy. Therefore, our achieved result in 2022 relates to our previous strategy. We reduced the relative production water usage by 38 percent, compared to 2017 baseline (driven by a 21% water recycling rate and 21% improvement in relative water efficiency).

1) Excluding use-phase emissions.

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Innovation

We see an urgent imperative and a huge opportunity to continue changing how we operate and to partner with others in our industry to accelerate systemic change.

We use our size and influence to initiate and accelerate the transformations required such as identifying, testing, investing in and attempting to scale innovative materials and technologies that have the potential to drive radical shifts in how we make and remake our products, and how our customers can access and experience fashion. All this will further improve the resilience of our business and supply chain and is crucial for the journey towards a net-zero, circular fashion industry. Our investments in innovations also support our commitment to respect human rights by contributing to more favourable environmental conditions for communities and people.

Our work includes exploring new solutions and opportunities through our innovation hub H&M Group Laboratory, and we test new business models and partnerships to scale through our business ventures. To complement our innovations and ideas within the company, we also find, support and invest in innovative start-ups. This enables us to drive innovation and explore more opportunities faster than what would be possible without these strong relationships with leading entrepreneurs. H&M Foundation's Global Change Awards — the world's largest innovation challenge — finds, supports and scales early-stage ideas. Our Circular Innovation Lab supports proof-of-concept projects to test and evaluate technologies' suitability for H&M Group, with the purpose to scale and ease integration into our organisation and supply chain.

Through our investment arm H&M CO:LAB, we support start-ups with capital and knowledge. Today, we have one of the industry's largest portfolios. Although all our investments are long-term, they have in a short time created significant value both financially and operationally — for example by improving customer experience and enabling scaling and commercialisation of recycled and more sustainably sourced materials.

We have a long-standing collaboration with Fairbrics, winner of H&M Foundation's Global Change Award and now part of our investment arm's portfolio. The company has developed a technology to capture carbon dioxide, which is converted into the building blocks for polyester. This material has already been used in a proof-of-concept t-shirt for H&M and is currently under development for H&M Move pieces.

Collaboration and partnership

Long-term strategic collaborations and partnerships are crucial not only to accelerate innovation and reach our goals, but also to tackle complex and interconnected challenges in the industry that require a shared commitment to progress.

We collaborate with our business partners, experts, innovators, challengers, customers, communities, policymakers and many more. Our stakeholders also represent or are themselves rights holders, and the actions we take as a business have the potential to impact their human rights positively or negatively.

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

Read more about our [memberships and collaborations](#).



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Corporate governance report 2022

H & M Hennes & Mauritz AB

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

At H & M Hennes & Mauritz AB (H&M) this means compliance with external regulations and that, values, global policies, and guidelines are important tools. The Code of Ethics, which is signed by all colleagues who interact with business partners, clearly states the approach of H&M when doing business. H&M operates in many markets that have different challenges, and where laws, environmental requirements and social conditions may differ. These varied contexts underline the importance of acting consistently and with a strong ethical compass.

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

H&M has applied the Swedish Corporate Governance Code (the Code) since 2005. The Code is based on the principle of "comply or explain", which means that companies applying the Code may deviate from individual rules provided they give an explanation of the deviation, describe the chosen alternative and provide the reasons for the deviation. The code is available at [corporategovernanceboard.se](https://www.corporategovernanceboard.se).

This report, which covers the financial year 1 December 2021 to 30 November 2022 — hereafter referred to as the 2022 financial year — was prepared in accordance with the Code and the Swedish Annual Accounts Act by the company's board of directors. It has been reviewed by the company's auditors.

External and internal governance

H&M is governed both by external regulations and internal control documents.

Examples of external regulations are:

- Accounting legislation including the Swedish Bookkeeping Act and Annual Accounts Act
- MAR — the EU Market Abuse Regulation
- Nasdaq Stockholm Rules for Issuers
- The General Data Protection Regulation (GDPR)
- The Swedish Companies Act
- The Swedish Corporate Governance Code (the Code)

Examples of internal control documents:

- Articles of association
- Code of Ethics
- Communications Policy
- Financial Policy
- Human Rights Policy
- Insider Policy
- Our Way
- Sustainability Commitment
- Tax Policy
- The board's rule of procedure including instructions for the CEO and audit committee
- Whistleblowing Policy

H&M's corporate governance is furthermore based on the company's values, which encompass a sound, simple, straightforward, cost-conscious, entrepreneurial corporate culture that focuses on teamwork, belief in people and constant improvement. Sustainability is part of H&M's business idea and is integrated into all parts of the business.

For more information read page 86.

Ethics, transparency, and risk management

As a global company, it is of the utmost importance for H&M to always act ethically, transparently, and responsibly in all parts of the business — from collaborating with our suppliers to meeting with customers. Through good purchasing routines and close cooperation with suppliers, the company's products should always be produced with the greatest possible consideration for people and environment. H&M's risk management and internal control processes ensure we are compliant, and act on things that makes a difference, throughout the organisation. The board of directors and the audit committee receive regular feedback from the organisation concerning these processes.

H&M's risks are reviewed centrally on a quarterly basis with each brand and every central function. The quarterly meetings are conducted in order to ensure each listed risk has an action plan to minimise impact and is kept at an acceptable risk level. This risk management work also provides continuous input to the company's long-term commercial decisions.

Responsibility for management and control is shared between the company's shareholders, the board, the audit committee, and the CEO. The board's rule of procedure states how this work is to be distributed between the board, the board's audit committee and the CEO. The board is ultimately responsible for the company's organisation and administration and the CEO is responsible for ongoing management of the business, with regular feedback to the board.

Board members and 2022 meetings

The board of directors has eight members elected by the annual general meeting (AGM), four women and four men, and three employee representatives and three deputies for these appointed by employee organisations in accordance with Swedish law. In total, the board has 14 members – eight women and six men.

The composition of the board exhibits breadth and diversity, with the board members' different areas of expertise complementing each other well. Their experience in areas such as retail, entrepreneurship, fashion, digitalisation, AI, advanced analytics and automation, sustainability and communication forms a good basis for deep and nurturing discussions with the CEO and management.

During 2022 the board held 11 board meetings, including a statutory meeting in conjunction with

the AGM. Attendance has been very high at all the meetings. The CEO, CFO and chief accountant also attend all the meetings. Generally, one or two departments or brands are invited to each meeting to give a status presentation concerning what their particular function or brand is working on. These presentations act as a complement to the CEO's status reports and provide opportunity for more in-depth discussions concerning specific areas of the operations. At each board meeting the chair of the audit committee also give a summary of the matters addressed by the audit committee at its most recent meeting within areas such as accounting, audit, security, tax, internal control, and risk, as well as various new regulations and legislation.

Further reading

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

Here you will find, among other things:

- Articles of association
- Information about the board of directors, CEO, auditors and audit committee
- Information about standards and policies
- Information and material from previous AGMs and Extraordinary General Meetings
- Information on the nomination committee
- Previous corporate governance reports
- Risks and uncertainties

H & M Hennes & Mauritz AB has chosen to have the corporate governance report as a separate document to the annual report, in accordance with chapter 6 section 8 of the Swedish Annual Accounts Act. The information that must be provided under chapter 6 section 6 items 3-6 of the Annual Accounts Act is included on page 80 of the H&M Group Annual and Sustainability Report for 2022 and is therefore not included in this corporate governance report. In accordance with chapter 6 section 9 of the Annual Accounts Act, the company's auditors have issued a statement on the corporate governance report that can be found on page 72.

During the financial year 2022 H&M did not deviate from the Code.

CORPORATE GOVERNANCE IN SWEDEN

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

- The nomination committee plays a key role and, in contrast to the Anglo-American system, its members are appointed by a company's largest shareholders. It is the nomination committee's task to propose the size of the board of directors and to propose who is to be elected to the board at the general meeting of shareholders. Board members are elected by all those who vote at the general meeting. In practice, therefore, the nomination committee has a decisive influence over who is elected to the board. The nomination committee also provides the general meeting with a proposal of board fees and a proposed auditor. Instructions for how members of the nomination committee are appointed are decided by the general meeting.
- Swedish law states that board members are appointed to represent the interests of all shareholders. Hence if a large shareholder group has proposed a new member via the nomination committee, that board member represents the interests of all shareholders and not only the interests of the shareholder(s) that nominated her/him.
- For many decades, Swedish enterprise in general has favoured the CEO and other board members in a company elected by its general meeting owning shares in the company. This is seen as a guarantee that the interests of the board are aligned with the interests of all shareholders with respect to a positively increasing share price and that there is consensus regarding the company's risks and opportunities.
- Neither the Swedish Corporate Governance Code nor the Swedish Companies Act impose any restrictions on the age of board members or how long members may sit on the board or prescribe any time limit for when an independent board member ceases to be independent of the company or its principal owners.
- The Swedish Corporate Governance Code stipulates that at least one of the company's auditors is to attend the AGM and it is common practice in Sweden for a company's chief auditor to attend the AGM. The auditors are deemed to be the general meeting's control body for the board.

As a result, shareholders can pose questions to the auditors at the AGM irrespective of the size of their shareholding.

- The option of having different classes of shares — usually known as “class A / B / C” etc. shares, usually with differing voting rights, and sometimes with a difference in rights to dividends — has been present in the Swedish Companies Act for a long time and is widely used.
- By law, employees have the right to appoint employee representatives to the board of larger companies. All board members are invited to the same meetings and receive the same information, and the employee-elected members have the same voting rights as members elected by the general meeting. Board fees are paid only to members elected by the general meeting.

H&M's corporate governance structure

H&M's corporate governance structure encompasses shareholders, the board of directors, the audit committee, the CEO, the nomination committee, the auditors, the executive management team, business areas organised by brand, employees, and employee organisations. H&M's shareholders ultimately decide the company's direction since the shareholders at the general meeting appoint the board of directors and the chair of the board. Proposals for the composition of the board, board fees and the election of auditors are prepared in advance by the nomination committee. The board in turn appoints a CEO to take care of day-to-day administration. The CEO appoints members of the executive management team within H&M's matrix organisation. The board includes three employee representatives, each of whom has a deputy, and all of whom are appointed by their respective employee organisations. The board appoints an audit committee from among its members, which deals with accounting and auditing matters on an ongoing basis and is the main channel of communication between the board and the auditors. Each year the auditors' report their findings to the board of directors and to the AGM.

1. SHAREHOLDERS AND ANNUAL GENERAL MEETING

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

The general meeting is thus the company's highest decision-making body and is the forum in which shareholders exercise their right to decide on the company's affairs. H&M'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 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 for the total numbers of shares that they hold. Shareholders who cannot be present in person may be represented by proxy.

Shareholders wishing to have a particular matter considered by the meeting may submit a written request to the board at least seven weeks before the meeting. An email address to 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 belonging to the meeting, including the minutes of the meeting, is available on the company's website in both Swedish and English. Extraordinary general meetings can also be held when there is a particular need to do so.

Shareholders' decision-making powers

Among other things, the general meeting makes decisions concerning:

- The election of board members and the chair of the board
- Board fees, including the compensation paid to members for work on the audit committee

- Discharge of the members of the board and the CEO from liability
- Amendments to the articles of association
- The election of the auditor
- The adoption of the income statement and balance sheet
- The distribution of the earnings for the past financial year
- The resolution on composition of and instructions for the nomination committee
- Guidelines for remuneration to senior executives

Articles of association

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

Annual general meeting 2022

H&M's AGM 2022 was held on 4 May as a digital meeting in accordance with §§ 14 and 15 of the Swedish Act (2022:121) on temporary exemptions to facilitate the holding of general meetings of companies and associations. This meant – among other things – that the shareholders were able to exercise their voting rights at the general meeting by participating digitally (online) or by postal voting. A digital tool allowed those attending the meeting remotely to ask questions.

The company appeared on video from a venue at H&M's head office. A total of 909 shareholders were represented at the meeting, representing 87.8 percent of the votes and 75.0 percent of the capital.

The main resolutions passed were the following:

- The lawyer Sven Unger was elected as chair of the meeting.
- Balance sheets and income statements for H&M and for the group were adopted.
- Dividend was to be paid to the shareholders in two instalments, with record date for the first payment on 6 May 2022 (SEK 3.25 per share) and record date for the second payment on 11 November 2022 (SEK 3.25 per share). The remainder of the company's earnings was to be carried forward.
- The board members and the CEO were discharged from liability for the 2020/2021 financial year.

- The number of board members elected by the meeting to serve until the close of the next AGM was set at eight, with no deputies.
- The following ordinary board members were re-elected: Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Christian Sievert, Erica Wiking Häger, Niklas Zennström and Karl-Johan Persson.
- Karl-Johan Persson was re-elected as the chair of the board.
- The board fees proposed by the nomination committee were approved as follows: chair of the board SEK 1,800,000; board members elected by the AGM SEK 775,000; members of the audit committee an additional SEK 200,000; and the chair of the audit committee an additional SEK 280,000.
- Deloitte AB was appointed as the auditor until the close of the 2023 AGM. Auditors' fees to be paid based on approved invoices.
- Resolution on composition of and instructions for the nomination committee were approved.
- A resolution was passed, which authorised the board to make decisions concerning purchase of own Series B shares on as many occasions as it deems appropriate in the period up to the 2023 AGM for a total amount not exceeding SEK 3 billion.
- A resolution on the amendment of the articles of association was passed.

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

YEAR	% OF VOTES	% OF CAPITAL
2017	83.7	66.6
2018	82.3	63.6
2019	84.6	68.4
2020	86.7	72.7
2021	87.8	74.9
2022	87.8	75.0

Number of shareholders and ownership structure

At the end of the financial year, H&M had 254,495 shareholders. The total number of shares in H&M is 1,655,072,000, of which 194,400,000 are class A shares with ten votes per share and 1,460,672,000 are class B shares with one vote per share.

H&M's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 57.1 percent of the votes, as well as 653,093,901 (604,856,427) class B shares,

representing 19,2 (17,8) percent of the votes. In addition, the family privately own 36,400,289 class B shares. This means that as of 30 November 2022, Stefan Persson and family privately and via Ramsbury Invest AB represent 77.3 (75.9) percent of the votes and 53.4 (50.5) percent of the total number of shares. Ramsbury Invest is thus formally the parent company of H & M Hennes & Mauritz AB. Ramsbury Invest AB is owned by Stefan Persson and family, and primarily by Stefan Persson. Karl-Johan Persson is also a shareholder in Ramsbury Invest AB.

A class A share has greater voting power at the company's general meetings. All the shares have the same dividend entitlement and right to 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 usual 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 2023

H&M's AGM 2023 will be held on Thursday, 4 May 2023. To register to attend the 2023 AGM, see the notice of the meeting at hmgroup.com/agm.

2. NOMINATION COMMITTEE

The nomination committee prepares information that will be used as a basis for decisions at the general meeting concerning election of the board of directors, chair of the board, auditors and chair of the annual general meeting, fees to the board and auditors, as well as instructions for the nomination committee. The nomination committee's proposal for the composition of the board exhibits diversity and breadth as regards expertise, experience, background and gender balance. It also takes into consideration the company's stage of development and future focus.

Before each annual general meeting the nomination committee's report is available to read as a separate document at hmgroup.com/corporategovernance. The composition of the nomination committee is based on the instructions for the composition of the nomination committee adopted at the 2022 AGM. The nomination committee is, in accordance with the instruction, appointed based on the principle that the nomination committee is to consist of the chair of the board plus four others nominated by the four largest

shareholders in terms of voting rights, as recorded in the register of shareholders on the last banking day in August. In autumn 2022 the nomination committee thus consisted of:

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

The nomination committee meets the requirements of the Code regarding the independence of members. Stefan Persson chairs the nomination committee, in accordance with the rules in the nomination committee's instructions which state that the chair of the nomination committee shall be the member representing the largest shareholder unless the nomination committee appoints another person. The nomination committee unanimously decided that in view of H&M'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 2022 AGM, including description of diversity policy for the board of directors

Before the 2022 AGM the nomination committee held two meetings at which minutes were taken and was also in contact at other times. As a basis for its work to analyse the composition of the board ahead of the 2022 AGM, the nomination committee studied the report by the chair of the board on the work of the board of directors and also met on one occasion with CEO Helena Helmersson. The board's work has functioned well over the course of the year. The information from the chair of the board, along with interviews conducted with the board members elected by the general meeting, provided a basis for the nomination committee's work on its proposal to the 2022 AGM regarding the composition of the board. The board members' different competencies complement each other well, which contributes to a good whole. In view of the pandemic and the fact that other external factors remained challenging, the board has had considerably more meetings than normal. All the members attended all the board meetings and showed great commitment, both at and between the meetings. The nomination committee's judgment ahead of the 2022 AGM was therefore that the board works well together as a team and, in view of this, the nomination committee chose to prioritise continuity

in the board's work and decided not to propose any changes to the composition of the board.

The nomination committee's proposal to the 2022 AGM was therefore the re-election of all the sitting board members: Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Karl-Johan Persson, Christian Sievert, Erica Wiking Häger and Niklas Zennström; and the re-election of Karl-Johan Persson as chair of the board.

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

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

In its proposal to the AGM the nomination committee carefully reviews each board member's expertise, experience, contribution to the work of the board over the past year, potential conflicts of interest etc. To decide whether a member is independent, an overall assessment is to be made of all circumstances that might cause the member's independence of the company and its management to be questioned. In rule 4.4 the Code states at least seven different circumstances that are to be considered here. At least two of the board members who are independent of the company and its management must also be independent of the company's major shareholders. To decide whether a board member is independent, the extent of the member's direct and indirect relationships with the major shareholder is to be included in the assessment. A board member who

is employed by or is a board member in a company that is a major shareholder is not to be considered independent. As regards the composition of the audit committee, section 7.2 of the Code states that the majority of the committee's members are to be independent of the company and its management. At least one of the board members who are 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, like all the other members of the committee, is independent of the company and its management. Two of the three members are also independent of the company's major shareholders. There is nothing in the Code stating that the chair of the committee must be independent of major shareholders.

Between the 2022 AGM and the end of the financial year the nomination committee held one meeting at which minutes were taken and was also in contact at other times. In autumn 2022 the nomination committee began its work, starting with information from the chair of the board concerning how well the work of the board has functioned during the year. During the autumn the nomination committee conducted interviews with board members elected by the general meeting. It was established that the board and its work are functioning well. In the period up until the proposals to the 2023 AGM are presented the nomination committee will discuss the size and composition of the board based on such factors as expertise, experience and the outlook for the company, the election of a chair of the board and of a chair for the general meeting, fees for board members, principles for the nomination committee and the election of auditors. The nomination committee's work in preparation for the AGM in May 2023 is not yet complete; more information will be presented before and at the 2023 AGM.

3. AUDITORS

The auditors, who are independent and appointed by the shareholders at the AGM, scrutinise H&M's Annual and Sustainability Report, consolidated financial statements, accounts, and corporate governance report, and examine whether these have been prepared in accordance with current laws and recommendations. The auditors also scrutinise the management of H&M by the board and CEO, and review compliance with the guidelines on remuneration to senior executives adopted by the AGM.

At the 2022 AGM the accounting firm Deloitte AB (Deloitte) was elected as auditor of H&M for a one-year period of office, i.e., until the close of the 2023 AGM. Authorised public accountant Didrik Roos from Deloitte holds the main responsibility for the audit.

As previously, the 2022 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 10 of the Annual and Sustainability Report for 2022.

Deloitte is a member of a global network used for auditing assignments for most of the group's companies and meets H&M's requirements with respect to competence and geographical coverage. The auditors' independent status is guaranteed partly by legislation and professional ethics rules, partly by the accounting firm's internal guidelines and partly by the fact that non-auditing assignments must be approved in advance by the audit committee. Didrik Roos conducts auditing assignments for Boozt AB, Systembolaget AB, and Tele2 AB.

The auditors attend all meetings of the audit committee. The board meeting held in January 2022 was attended by Didrik Roos to notify the board of the scope, focus, significant considerations and conclusions of the 2020/2021 audit.

In addition to this involvement, the auditor meets regularly with the chair of the board, the audit committee's chair and other members, the executive management and other key individuals. The auditor also takes part in the AGM, reporting the conclusions drawn from the audit.

Alongside its mandate as elected auditor, Deloitte has also carried out related tasks such as limited assurance of the Sustainability Disclosure. In addition, Deloitte has assisted with other consulting services, primarily tax advice. Deloitte has internal processes to ensure its independence before these tasks are begun. The audit committee also has a process for approving non-auditing services in advance, before such assignments are begun. The audit committee evaluates the auditor annually to gain assurance that the auditor's objectivity and independence cannot be questioned.

4. BOARD OF DIRECTORS

The task of the board of directors 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 has the overall responsibility for the company's administration, taking a long-term, sustainable approach with a focus on the customer offering and growth.

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

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

The board members are elected by the shareholders at the general meeting, normally at the AGM and for the period up to and including the next AGM. Since the 2022 AGM the board has consisted of eight ordinary members, with no deputies, as well as three employee representatives and three deputies for these positions. Only the employee representatives and their deputies are employed by the company. Since the 2022 AGM the board has consisted of the following members elected by the general meeting: Karl-Johan Persson (chair), Stina Bergfors, Anders Dahlvig, Danica Kragic Jensfelt, Lena Patriksson Keller, Christian Sievert, Erica Wiking Häger and Niklas Zennström. Tim Gahnström, Ingrid Godin and Louise Wikholm are the regular employee representatives, with Hampus Glanzelius, Agneta Gustafsson, and Margareta Welinder as their deputies. For more facts about H&M's board members see pages 69-71.

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

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

Number of board meetings

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

The CFO and chief accountant also attend the board meetings in order to provide financial information. The board is assisted by a secretary who is not a member of the board. During the year, 11 board meetings were held. This is more than usual but is explained by the operations having been affected by very challenging geopolitical and macroeconomic circumstances, resulting in significantly more board meetings than in a normal year. As in previous years, attendance levels at the board meetings were very high. For details of meeting attendance by each member see the table on page 63.

Work of the board in 2022

H&M's board meetings are generally structured as shown below. This is supplemented by one or more business presentations, e.g., by the heads of functions, brands or regions. The following are usually reviewed at each board meeting:

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

As the geopolitical and macroeconomic situation was very challenging in 2022, the effects of this on the H&M group's operations formed a key part of the board's work during the year; among other things, resulting in the decision to wind down the business in Russia and action to manage the high level of inflation. Such challenges combined with the repercussions of the pandemic led to discussion of matters such as the customer offering and its pricing, the supply chain, sustainability, tech and communication. A global programme to reduce costs and improve efficiency within the organisation was introduced. Decisions were

COMPOSITION OF THE BOARD AND ATTENDANCE IN THE FINANCIAL YEAR 2022

NAME	YEAR ELECTED	INDEPENDENT ¹	INDEPENDENT ²	FEES (SEK) ³	BOARD MEETINGS ⁴	AUDITING COMMITTEE	SHARE-HOLDINGS ⁵	SHARES HELD BY RELATED PARTIES
Karl-Johan Persson, Chair	2020	Yes	No	1,700,000	11/11		12,136,289	Shareholder in Ramsbury Invest AB ⁶
Stina Bergfors	2016	Yes	Yes	650,000	11/11		1,000	8,000 and 6,000 ⁷
Anders Dahlvig	2010	Yes	Yes	825,000	11/11	4/4	17,510	
Danica Kragic Jensfelt	2019	Yes	Yes	650,000	11/11		2,500	700
Lena Patriksson Keller	2014	Yes	Yes	650,000	11/11			1,200 and 9,450 ⁸
Christian Sievert	2010	Yes	No ⁹	875,000	11/11	4/4	81,000	19,000 and 2,400 ¹⁰
Erica Wiking Häger	2016	Yes	Yes	825,000	11/11	4/4		750 ¹¹
Niklas Zennström	2014	Yes	Yes	650,000	11/11		72,700	
Ingrid Godin, employee rep.	2012				11/11			60
Louise Wikholm, employee rep.	2021				8/11			
Tim Gahnström, employee rep.	2021				4/11 ¹²			
Agneta Gustafsson, deputy employee rep.	2022				9/11			
Hampus Glanzelius, deputy employee rep.	2021				7/11			
Margareta Welinder, deputy employee rep.	2007				4/11			

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 2021 annual general meeting. This means that the fees related to the period until the next AGM, i.e. for the period 6 May 2021 to 4 May 2022. The amounts were paid out after the 2022 AGM.

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

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

6) Ramsbury Invest AB owns 194 400 000 class A shares and 653,093,901 class B shares as of 30 November 2022.

7) 8,000 shares held through Stina Bergfors's company SCEBE Holding AB and 6,000 shares held by spouse.

8) 1,200 shares owned through Lena Patriksson Keller's private company Verdani Holding AB. 9,450 shares held by spouse and children.

9) Christian Sievert is not considered independent of Ramsbury Invest AB since Ramsbury Invest AB is a major shareholder in a company of which Christian Sievert is CEO.

10) Shares held by related parties: 19,000 shares held through Christian Sievert's company Whitechris Industri AB and 2,400 shares held by spouse and children. Supplementary disclosure: in addition to Christian Sievert's shareholding shown above, Christian Sievert holds 9,000 H&M shares via a pension plan.

11) 750 shares owned through Erica Wiking Häger's company Erica Wiking Häger Advokataktiebolag.

12) Tim Gahnström temporarily left the board during a couple of months. He was re-elected as employee representative by the union and member of the board again during late autumn.

also made concerning changes to the organisation to fit future business models.

Other examples of subjects discussed during the year were cybersecurity, the store portfolio, future ways of working etc.

Examples of the brands/functions of the business that presented their work to the board during the year are: the H&M brand, Sellpy, supply chain, business tech and others. At each board meeting the chair of the audit committee reports to the board on what the audit committee discussed at its latest meeting. This

primarily concerns areas such as accounting, IFRS 16 effects, audit, tax, customs duties, internal control, risk and various new regulations, legislation and directives. All significant risks are then discussed at a subsequent board meeting. At four of the year's meetings the board goes through interim financial reports before they are published and at the January meeting the board discusses the annual and sustainability report, with the auditor also reporting on the year's audit. The board also meets with the company's auditors without the CEO or other representatives of executive management being present.

As every year, in 2022 the board took various decisions. These included deciding on a SEK 3 billion share buyback programme based on authorisation from the annual general meeting, a proposed dividend of SEK 6.50 per share, an updated finance policy, the proposed remuneration report and decisions concerning the financial statements, as well as deciding on a cost and efficiency programme, an investment plan, a growth plan and targets.

At the board meeting held in January 2022 the board of directors resolved that the company is to double its sales while at the same time halving its carbon footprint by 2030. Profitability is to exceed 10 percent over time¹. The H&M group's goal to increase sales by 10-15 percent per year with continued high profitability remains a long-term target.

Since H&M does not have a separate review function (internal audit function) for work on internal control, but has instead established its own model for managing the company's risk and internal control (see pages 66-68), once a year the board assesses the need for a separate internal audit function. In 2022 the board again reached the conclusion that the present model for monitoring internal control is satisfactory.

Ahead of the AGM the board presented a remuneration report for 2021 in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Stock Market Self Regulation Committee. The remuneration report describes how the guidelines for remuneration within H&M adopted at the 2020 AGM were applied in the 2021 financial year. The remuneration report for 2021 is available at hmgroup.com/annual-general-meeting-2022.

H&M 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, as is entirely in accordance with requirement 9.2 of the Code. It is the board that prepares the proposed guidelines for remuneration to senior executives that are presented at the AGMs, and it is the board that decides on the CEO's salary in accordance with the latest guidelines adopted at the AGM. The board continually assesses the CEO's work and once a year discusses this matter separately in conjunction with the setting of the CEO's remuneration

for the coming year. No member of executive management is present when this is discussed.

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

5. AUDIT COMMITTEE

The audit committee monitors the company's financial reporting, including monitoring the effectiveness of the company's internal control and risk management. The committee's work includes handling auditing topics and financial reports published by the company. The auditors attend the meetings of the audit committee to report on their scrutiny of H&M's annual report and financial statements, including the consolidated financial statements.

The audit committee reviews and monitors the impartiality and independence of the auditor and regulates which assignments the accounting firm may conduct for H&M in addition to the audit. The audit committee annually receives a written assurance of independence from the auditor stating which services the accounting firm has provided to H&M during the financial year in addition to the audit. The audit committee also assists the nomination committee with any proposals to the AGM concerning the election of auditors.

The audit committee consists of three board members — two with expertise in accounting or auditing and the third with expertise in commercial law. All the members are independent of the company and its management. A majority of the members are also independent of the company's major shareholders. The audit committee is appointed annually by the board of directors at the statutory board meeting held in conjunction with the AGM. Since the statutory meeting held in conjunction with the 2022 AGM, the audit committee has consisted of chair Christian Sievert and members Anders Dahlvig and Erica Wiking Häger. The committee held four meetings at which minutes were taken during the 2022 financial year.

¹) The baseline for the sales goal is 2021. The H&M group's goal is to reduce its carbon footprint in absolute figures by 56 percent by 2030 (baseline 2019) in accordance with the H&M group's commitment at COP26. Profitability refers to operating profit in relation to sales. The ambition is to achieve the profitability target no later than 2024.

Deloitte attended the minuted audit committee meetings to provide debriefs on the auditing work. The meetings were also attended by, among others, the CFO, the chief accountant, and the head of corporate governance. Minutes from the committee's meetings were distributed to all board members.

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

- The company's financial reporting, including interim reports, the corporate governance report and annual report.
- Compliance with the group's internal control and risk management processes and review of the overall risk analysis for the group.
- Information provided by the following functions and departments on their work: People & Organisational Development, Security, Growth, Accounting/ Tax, Supply Chain and Business Tech.
- The transfer pricing model, tax matters and matters relating to customs.
- Follow-up on previous discussions on privacy, including GDPR.
- Follow-up on H&M Group policies.
- Information provided by Deloitte on the audit plan, the scope of the audit and the results of scrutiny carried out.
- Review of the auditors' independence and impartiality. The audit committee agreed it was clear which assignments Deloitte had taken on in addition to auditing and found no reason to question the accounting firm's impartiality.

The audit committee has established a process to approve in advance any non-auditing services carried out by the auditors. H&M also uses consulting services from other accounting firms and tax advisors.

6. EMPLOYEE ORGANISATIONS

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

7. CEO

The CEO is appointed by the board of directors and is responsible for the daily management of the company as directed by the board. This means that, among other things, the CEO must focus on recruitment of senior executives, buying and logistics

matters, the customer offering, pricing strategy, sales and profitability, sustainability matters, marketing, expansion, digital development, and development and further integration of the store and online channels. The CEO reports to the board on H&M's development and makes the necessary preparations for taking decisions on matters such as investments and expansion. The role of CEO includes contact with the financial market, the media, and the authorities.

Helena Helmersson, born in 1973, has been CEO since 30 January 2020. In 1997, Helena Helmersson joined H&M as a controller in the buying department, after which she worked in various roles in buying and production. Helena Helmersson was head of sustainability for five years and subsequently head of production based in Hong Kong. For just over a year prior to becoming CEO, she worked as COO (chief operating officer) with responsibility for expansion, logistics, production, IT and advanced data analytics/artificial intelligence, as well as insights and analytics.

By the end of the financial year 2022, Helena Helmersson held 19,070 shares in H&M. She also held 300,000 call options issued by Ramsbury Invest AB, with each option providing the right to buy one class B share in H&M during the 12 months following a three-year period from the agreement date of 7 October 2020.

8, 9. ORGANISATION AND MANAGEMENT

H&M has a multi-brand matrix organisation with the following brands: the H&M brand which includes the H&M HOME brand, and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories and ARKET. The group also consists of Business Ventures, which includes among others Afound, Creator Studio, Singular Society, and majority owned Sellpy. Each brand has its own organisation and managing director, and most of the brands have their own local or regional sales organisations. Centrally, there are also several of group functions that support each brand to capitalise on the benefits across shared areas, so that each brand and country works according to central policies and guidelines. The CEO is responsible for day-to-day management of H&M and appoints the members of the executive management team. As of 30 November 2022, the executive management comprised 15 individuals, five of whom are women. The cost and efficiency programme that was initiated during autumn 2022 also involves reviewing the organisation. This is reflected in the executive management team after the closing of the financial year. For updated information,

see <https://hmgroup.com/about-us/corporate-governance/company-management/>.

In addition to the CEO, the executive management team consists of the CFO, the person with responsibility for the H&M brand, the person with responsibility for Portfolio Brands, the person with responsibility for Business Ventures, the person with responsibility for Business Tech and the CTO reporting to that role, and the heads of the following group functions: Strategy & Transformation, Growth, People & Organisational Development, Sustainability, Supply Chain, Communications, The Laboratory, and the Group Strategy Counsel. Those responsible for other group functions are appointed by the CFO.

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

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

Internal control

The board of directors is responsible for the company's internal control, the overall aim of which is to safeguard the company's assets and thereby its shareholders' investment. Internal control and risk management are part of the board's and the management's control and follow-up responsibilities, with the purpose of managing the business in the most appropriate and effective manner possible — to ensure reliable financial reporting and compliance with applicable laws and regulations. This description of H&M's internal control and risk management for financial reporting has been prepared in accordance with chapter 6 section 6 of the Swedish Annual Accounts Act and section 7.4 of the Code.

H&M uses the internationally recognised COSO framework as a basis to maintain and develop its internal control. The COSO framework is made up of five components: control environment, risk assessment, control activities, information and communication, and monitoring.

CONTROL ENVIRONMENT

The control environment forms the basis of internal control and includes the culture that the board and management create and communicate, and by which

they work. The control environment consists primarily of ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and related guidelines and instructions, as well as routines.

It is particularly important that management documents such as internal policies, guidelines and manuals exist in significant areas and that these provide the employees with solid guidance. The Code of Ethics, signed by all employees doing business with business partners, is an ethical policy that permeates the entire company. It describes the way in which employees should act within the company and in business relations with suppliers. The document "Our way" summarise how values, policies and guidelines come together with the intention to ensure business is carried out in an ethical, responsible, sustainable, and transparent way. "Our way" is intended for all colleagues within all brands and functions of H&M, as well as external stakeholders. Read more about "Our way" at hmgroup.com/about-us/our-way/.

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

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

H&M has a matrix organisation, which means that those responsible for the joint group functions are also responsible for the efficiency and effectiveness of work within their function at each brand. Each brand has its own organisation and managing director, and all the brands have their own local or regional sales organisations.

Internal control is evaluated annually by the relevant group function, which checks that its function in each country is working according to the prescribed policies and guidelines. Stores are checked by internal store auditors.

All subsidiaries within H&M have the same structure and accounting system with the same chart of

accounts. This simplifies the creation of appropriate routines and control systems, which in turn facilitates internal control and comparisons between the various companies. There are detailed instructions for the store staff that control daily work in the stores. Many other guidelines and manuals are also available within the group. In most cases these are drawn up in the central departments at the head office in Stockholm and then communicated to the respective departments in regional and country offices. Each central department regularly reviews its guidelines and manuals to see which need updating and whether new guidelines need to be developed.

RISK ASSESSMENT

Operational and financial risks are continuously analysed by all brands and group functions. This process of risk review and assessment identifies the systems, methods and controls that are in place to minimise any impact of the risks. For the most significant issues, the suggested risk acceptance or mitigation is evaluated quarterly in collaboration with the corporate governance function.

An updated climate risk analysis according to the guidelines issued by the Task Force on Climate-related Financial Disclosures (TCFD) was carried out during 2021, see page 103. The company's first TCFD analysis was conducted in 2019.

At the end of 2022 the group's main risks were summarised to the audit committee and were subsequently discussed by the board.

For a description of H&M's operational risks, see the administration report on pages 76-78. For a description of risks within financial reporting, see the administration report on pages 78-79 and note 2, Financial risks, on pages 120-121 of the Annual and Sustainability Report for 2022.

CONTROL ACTIVITIES

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

Internal control measures in the Business Tech function also include internal control on systems relating to financial reporting. These financial systems are reviewed by an external party in cooperation with H&M.

INFORMATION AND 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 has a communications policy providing guidelines for communication with external parties. The purpose of the policy 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 sales reports
- Press releases on events and circumstances that may impact the share price
- H&M's website [hmgroup.com](https://www.hmgroup.com)

MONITORING

In 2022, the company's central functions assessed internal control within their respective functions in sales countries, based partly on general issues and partly on department-specific issues. Due to the ongoing impacts of the Covid-19 pandemic on internal control, all functions continued to operate with reduced travel to countries to carry out internal control and instead undertook control activities remotely to the degree required.

This internal control assessment work resulted in a plan of action for each central function, defining areas for improvement to further strengthen internal control — not only in respect of each country, but also for the central function itself. The central functions also followed up on assessments made in the previous year. The way in which H&M executes internal control is considered to be firmly established within the organisation, providing an aid and an instrument that the central functions can use to ensure their respective departments in sales countries and regions are working in line with company guidelines. The assessment of internal control also allows each sales country and region to provide valuable and constructive feedback to the central function

regarding potential areas for improvement. Another important part of the internal control work is the feedback to regional and country management provided by the central function.

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

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

The board of directors and audit committee continually evaluate the information provided by the executive management team, including information on internal control. The audit committee's task of monitoring the efficiency of internal control carried out by the management team is of particular interest to the board. This work includes checking that steps are taken in response to any shortcomings detected and suggestions made during assessments by the central departments and internal store auditors, as well as by external auditors. This monitoring work maintains awareness of the importance of effective internal control and supports continuous improvement within the group.

INTERNAL AUDIT

In accordance with section 7.4 of the Code, during the year the board assessed the need for a specific internal audit process. The board concluded that H&M's present model of monitoring internal control is the most appropriate for the company. In the board's opinion this model — which the central departments such as Finance & Accounting, Growth, Supply Chain (including Logistics and Production), Business Tech, Communications, and Security apply in the subsidiaries — as well as the work carried out in stores by local security department representatives, are in line with the work performed in other companies by an internal audit department. The board therefore deemed that there was no need for an internal audit department.

The issue of a specific internal audit department will be reviewed again in 2023.

Stockholm, March 2023

The Board of Directors

More information on H&M's corporate governance work can be found at hmgroupp.com/corporate-governance. The next two pages contain information about the board members.

The board



KARL-JOHAN PERSSON

Chair of the board.

Born 1975.

Primary occupation

Chair of the board of directors of H&M.

Other significant board assignments

Member of the boards of Ramsbury Invest AB, the GoodCause Foundation and the H&M Foundation.

Education

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

Professional experience

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



STINA BERGFORS

Board member.

Born 1972.

Primary occupation

Entrepreneur and board assignments.

Other significant board assignments

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

Education

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

Professional experience

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



ANDERS DAHLVIG

Board member and member of the audit committee.

Born 1957.

Primary occupation

Board assignments.

Other significant board assignments

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

Education

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

Professional experience

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



CHRISTIAN SIEVERT

Board member and chair of the audit committee.

Born 1969.

Primary occupation

CEO of AB Max Sievert.

Other significant board assignments

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

Education

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

Professional experience

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



ERICA WIKING HÄGER

Board member and member of the audit committee.

Born 1970.

Primary occupation

Partner at the law firm Mannheimer Swartling since 2009 and chair of Mannheimer Swartling's Corporate Sustainability & Risk Management practice group.

Other significant board assignments

Chair of the board of Mannheimer Swartling Advokatbyrå AB.

Education

Master of Laws from Uppsala University, LL.M. from Harvard Law School in the US.

Professional experience

1994–1995 Acting lecturer in civil law, Uppsala University.
1995–1997 District court service, Sollentuna District Court.
1997–1998 Law clerk, Svea Court of Appeal.
1999–2000 Corporate counsel, Corechange Inc., Boston, USA.
2000–2008 Associate, Mannheimer Swartling.
2009– Partner, Mannheimer Swartling.



NIKLAS ZENNSTRÖM

Board member.

Born 1966.

Primary occupation

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

Other significant board assignments

Member of the boards of Atomico, Zennström Philanthropies, Farmdrop, Rovio, Orbital Systems and Lilium.

Education

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

Professional experience

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



LENA PATRIKSSON KELLER

Board member.

Born 1969.

Primary occupation

Executive chair at branding and communications agency Patriksson Group AB.

Other significant board assignments

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

Education

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

Professional experience

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



DANICA KRAGIC JENSFELT

Board member.

Born 1971.

Primary occupation

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

Other significant board assignments

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

Education

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

Professional experience

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

**INGRID GODIN**

Employee representative, on the H&M board since 2012.

Born 1959.

Employed since 2002.

Current position

Warehouse worker, Eskilstuna DC.

**AGNETA GUSTAFSSON**

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

Born 1969.

Employed since 1988.

Current position

Sales advisor, H&M Jönköping.

**LOUISE WIKHOLM**

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

Born 1980.

Employed since 2014.

Current position

Project manager, Customer Activation & Marketing H&M.

**TIM GAHNSTRÖM**

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

Born 1979.

Employed since 2015.

Current position

Solution architect (Business Tech).

**HAMPUS GLANZELIUS**

Deputy employee representative, on the H&M board since 2021.

Born 1977.

Employed since 2011.

Current position

Business controller, Monki.

**MARGARETA WELINDER**

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

Born 1962.

Employed since 2000.

Current position

Omni buyer, H&M.

Auditor's statement

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in H & M Hennes & Mauritz AB (publ) corporate identity number 556042-7220

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2021-12-01 - 2022-11-30 on pages 55-71 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Stockholm, March 23, 2023

Deloitte AB

Didrik Roos

Authorized Public Accountant

Administration report

The board of directors and the chief executive officer of H & M Hennes & Mauritz AB (publ), 556042-7220, domiciled in Stockholm, Sweden, hereby submit their annual report and consolidated accounts for the financial year 1 December 2021 to 30 November 2022, hereinafter referred to as the 2022 financial year. Any references made to “H&M”, “H&M Group”, “the H&M group” and “the company” in this administration report refers hereinafter to H & M Hennes & Mauritz AB (publ).

BUSINESS

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

The group consists of the brands H&M, H&M HOME, H&M Move, COS, Weekday, Monki, & Other Stories and ARKET. In addition, the company has a number of business ventures, with the mission to test and scale businesses based on new business models and partnerships, to engage with customers in new ways and to create added customer value. The ventures drive new revenue streams and are an important part of delivering future growth for the H&M group. Examples of the company’s business ventures are Afound, Singular Society, Creator Studio and majority-owned Sellpy.

Each of the group’s brands has its own unique identity. Together they complement each other and offer a

variety of trends and styles at various price points within fashion, beauty, accessories and homeware.

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

Each brand has its own design and buying function consisting of people with diverse backgrounds, experiences and skills, which is key to producing relevant and inspiring collections for their particular customer group. H&M’s design and buying function creates its collections centrally in Stockholm, while COS — for example — has its design and buying function in London. Afound departs from this model. It is a marketplace for products from brands’ previous and current seasons — both external brands and the H&M group’s own — which are discounted to provide a new opportunity to attract customers. Creator Studio in turn is a B2B service offering on-demand print services, enabling external brands and content creators to utilise the H&M group’s supply chain to produce their own merchandise for sale. Majority-owned Sellpy is an e-commerce platform for second-hand sales with a business model that makes it easy for customers to buy and sell used items. Through its investment arm H&M CO:LAB, the group invests in start-ups to drive entrepreneurship related to, for example, circularity in the fashion and retail industries to support the group’s sustainability goals. For more information see pages 14-29.

Comment on results

The company’s decision to wind down the business in Russia, which was an important and profitable market, has had a significant negative impact on the results

during the year. The hikes in raw materials and freight costs combined with a historically strong US dollar resulted in extensive cost increases for purchases of goods. Rather than passing on the full cost to the customers, the company chose to strengthen its market position further. On top of this there were increased energy costs as well as a one-time charge for the cost and efficiency programme that was initiated at the end of the year.

Information concerning exposure to Russia, Belarus and Ukraine

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

On 2 March 2022 all sales in Russia and Belarus were also paused. On 18 July 2022 the H&M group announced that it had decided to begin winding down the business in Russia in a responsible manner.

A one-time cost of around SEK 1.8 billion has been charged to earnings for the financial year in respect of the wind-down. The one-time cost is expected to have a negative cash flow effect of around SEK 1 billion in total, mainly in 2023. By 30 November 2022 all of the H&M group's 172 stores in Russia had been permanently closed. The total financial effect on the H&M group's full-year results compared with the previous year was SEK 3.7 billion before tax.

The business in Belarus, where there were three stores, has also been wound down.

The company is monitoring developments in Ukraine closely. The safety of colleagues and customers always has highest priority. The hope is to be able to reopen the H&M group's operations in the country as soon as this is possible.

Direction

In 2022, the H&M group continued to work according to its business plan, which aims to deliver long-term profitable growth in a more sustainable way. The business plan is based on the company's ongoing transformation work and is illustrated by a number of objectives to which the company's sustainability work and digital transformation contribute. These objectives are to continue improving the customer offering for all the brands, to build long-term and value-creating customer relationships, to offer an inspiring experience with integrated digital and physical channels, to adapt the supply chain so that it is efficient and based on demand, and to add more revenue streams based on new emerging business models and innovations. In line with the H&M group's goal of a strong capital structure with good liquidity and financial flexibility, the objectives are designed to support sound finances while enabling continued freedom of action for growth and investments. Moving successfully towards these objectives is expected to result in long-term, profitable growth while at the same time reducing the company's climate impact. By 2030 at the latest, the H&M group aims to double sales while at the same time halving its greenhouse gas emissions. In addition, the H&M group aims to increase profitability by at least 10 percent no later than 2024, from a 2021 baseline¹.

FIVE YEAR SUMMARY

FINANCIAL YEAR	2022	2021	2020	2019 ²	2018 ²
Net sales, SEK m	223,553	198,967	187,031	232,755	210,400
Operating profit, SEK m	7,169	15,255	3,099	17,346	15,493
Operating margin, %	3.2	7.7	1.7	7.5	7.4
Profit after financial items, SEK m	6,216	14,300	2,052	17,391	15,639
Operating cash flow per share, SEK	14.84	26.96	15.65	17.51	12.86
Return on equity, %	6.4	19.2	2.2	23.3	21.4
Equity/assets ratio, %	27.9	33.4	31.3	47.4	49.3
Average number of employees	106,522	107,375	110,325	126,376	123,283

For definitions of key performance measures see page 147.

1) The baseline for the sales goal is 2021. The H&M group's goal is to reduce its greenhouse gas emissions in absolute figures by 56 percent by 2030 (baseline 2019) in accordance with the Science Base Target initiative (SBTi). Profitability refers to operating profit in relation to sales. The ambition is to achieve the profitability target no later than 2024. The

group's target to increase sales by 10-15 percent per year with continued high profitability remains a long-term target.

2) Excluding IFRS 16.

Expansion through integrated channels

Expansion is taking place with a focus on omnichannel sales. Customers want to be able to shop and be inspired where, when and how they choose – in the stores, on the brands' own websites, on digital marketplaces and on social media. The optimisation of the store portfolio is continuing in parallel, meeting customers' needs in interaction with the digital channels.

New store markets in 2022 for H&M were North Macedonia, Ecuador, Kosovo, and via franchise Cambodia, Costa Rica and Guatemala. The company is accelerating its expansion in the North and South America region, with a focus on Latin America. In 2022 Singapore became a new market for & Other Stories. ARKET opened its first stores in France and Finland.

In the 2022 financial year the H&M group opened 91 (104) stores and closed 427 (321) stores, making a net decrease of 336 (217) stores. 175 of the stores closed were in Russia and Belarus, where the business was wound down during the year. The group had a total of 4,465 (4,801) stores as at 30 November 2022, of which 288 (273) were operated by franchise partners. The breakdown of the stores is as follows: 3,947 H&M, 259 COS, 78 Monki, 71 & Other Stories, 54 Weekday, 25 ARKET.

In 2022 H&M opened online in Colombia, Peru, Uruguay and Serbia, and via franchise in Israel. H&M was also launched on Shopee in Thailand. COS was launched online in Australia, via franchise in Thailand and via Zalora in the Philippines. Monki opened on About You, and also on Zalora in Singapore and Malaysia. & Other Stories launched on Zalora in Singapore, Malaysia and the Philippines, on YOOX and on HURR in the UK. ARKET and COS were launched on YOOX, with COS also opening on Nordstrom and Breuninger.

H&M is scheduled to open its first store in Albania during the first half of 2023. Ecuador will become a new online market for H&M at the start of 2023. COS will launch in Mexico and Arket is scheduled to open in Estonia in 2023. & Other Stories will open on The Iconic in Australia in 2023.

The H&M group is continuing to renegotiate a large number of leases as part of the company's store optimisation, which also involves rebuilds and adjustment of the number of stores and of store space to ensure the best store portfolio in each market. The H&M group's contracts allow around a third of

leases to be renegotiated or exited each year. For 2023 the plan is to open around 100 new stores and close around 200 stores, making a net decrease of around 100 stores. Most of the openings will be in growth markets, while the closures will mainly be in established markets.

Employees

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

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

A constantly changing world and new customer behaviour continue to increase the complexity of the retail business. To stay competitive and meet increased customer demands, the company continues with its transformation work, which encompasses all parts of the company and includes, among other things, enhanced digitalisation, a competence shift within the tech organisation, simplifying the organisational structure, new ways of working, and further integration across brands and functions.

At the end of the financial year, the H&M group had approximately 150,000 employees. The average number of employees in the group, converted into full-time positions, was 106,522 (107,375), of which 10,447 (10,540) were employed in Sweden. Of this average number of employees, around 75 percent were women. Of those in positions of responsibility within the company, such as store managers and country managers, 75 percent were women.

EVENTS AFTER THE CLOSING DATE

During the first quarter of 2023 the H&M Group has acquired the controlling interest in Sellpy, which thereby will be consolidated starting in the first

quarter. For more details, see the three-month report for 2023.

RISKS AND UNCERTAINTIES

The H&M group has an entrepreneurial approach to business development. Launching new initiatives and business ventures makes it necessary to accept business risks to a degree.

Operational risks include the business risks together with events in the outside world which affect a certain sector, market or a brand in the group. Financial risks are related to the use of economic funds and financial resources.

Operational and financial risks are continually analysed, and risk acceptance or mitigation is evaluated quarterly by all brands and group functions for the most significant group risks, together with the corporate governance function.

Evaluation of the business impact determines whether an action is to be taken to reduce the likelihood of a risk, and if so, to what extent. Business decisions also determine the extent to which the consequences of a risk should be mitigated.

There are external risks and uncertainties affecting the H&M group that are related to the shift in the industry, fashion, competitors, logistics resources, information security and cybersecurity, sustainability issues, weather, macroeconomics and geopolitical events, pandemics, foreign currencies, taxes, and various regulations and ordinances.

A description of the H&M group's operational and financial risks is given in the sections below, with more detailed information concerning financial risks being given in note 2, Financial risks.

The H&M group's overall approach to risk management and internal control is described on pages 66-67 in the corporate governance report. The description includes how the H&M group works according to the COSO and TCFD frameworks.

OPERATIONAL RISKS

During 2022 there was a further increase over 2021 in the ratio of risks related to external events — such as the war in Ukraine, transport costs, inflation, and energy costs in Europe — compared to business risks. Increasing numbers of purchases are being made online, which have become an increasingly important

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

The Covid-19 pandemic has made the group's brands and functions work hard to manage challenges related to cost levels, supply chain and the customer experience, while still delivering without compromising on the business idea of the group's brands: fashion and quality at the best price in a more sustainable way. For the H&M group the importance of having good risk mitigation plans alongside issue and crisis management capacity has been accentuated by the pandemic.

Reputational risk

As one of the world's leading fashion companies, the H&M group's brands attract great interest and are constantly in the spotlight. To safeguard and manage its brands, it is important that the H&M group continues to be developed and run according to its values, which are characterised by strong business ethics.

It is of utmost importance that the H&M group lives up to the high ambitions set out in its policies and guidelines on business ethics, and that anyone involved in the business has good knowledge and insight into the procedures for the production of its products. It is also crucial that the H&M group can reach its sustainability goals and ambitions. Accurate, transparent and reliable communications can prevent occurrences of reputational risk and can also help mitigate the consequences of any incidents.

Fashion risk

Operating in the fashion industry is a risk in itself. Fashion has a limited shelf-life and there is always a risk that some part of the collections will not be sufficiently commercial, and will therefore not be well received by customers. Purchasing decisions are also increasingly influenced by customers' desire to live more sustainably.

Within each segment and each collection it is crucial to have the right volumes and a correct balance in the mix between fashion basics and the latest trends. In summary, each collection must achieve the best

combination of fashion, quality, price and sustainability. An increasing degree of accuracy in purchasing decisions and volumes will help reduce overall resource consumption and contribute to our climate and circularity goals.

To increase precision, the H&M group works intensively to optimise the extent of ongoing buying during the season in parallel with detailed analysis of day-to-day sales and stock levels in different markets. Today fashion is global, but shopping patterns vary between different markets and sales channels. The start of a season and the nature of a season vary from country to country. Delivery dates and product volumes for the various markets and channels are therefore adjusted accordingly. The capability in the organisation to create regional and local customer offerings has been further developed to meet this demand.

Weather risk

The H&M group's products are purchased for sale based on assumptions concerning weather patterns. Deviation from these assumptions affects sales. This is particularly true at the point of transition between two seasons, such as from summer to autumn or autumn to winter. For example, a warmer than usual autumn may have a negative effect on sales of weather-related garments in particular, such as outerwear and chunky knitwear. The company's risk analysis has shown that climate change may have further effects on the conditions for producing and distributing products in certain regions and countries. The increasing effects of climate change mean that these variations will likely increase in the future.

Negative macroeconomic changes and geopolitical risks

One or more markets may be affected by events that have a negative effect on the macroeconomic situation or geopolitical environment in a country. These changed macroeconomic or geopolitical circumstances, such as political instability, and in the worst case war and also sudden negative events — for example, virus outbreaks in one or more countries — may result in rapid changes in the business environment, such as rising inflation, significant disruption in the supply chain and economic downturn, which is likely to change consumer purchasing behaviour and thus negatively impact the group's sales. Future markets where an H&M Group brand becomes established may have an increased risk of political instability, corruption, or armed conflict.

Uncertainties exist concerning how fluctuations in external factors such as the price of raw materials, transport costs and suppliers' capacity will affect buying costs for the group's products. There are also risks associated with social tensions in sourcing markets, which may lead to instability for suppliers, and in manufacturing and deliveries.

The group therefore needs to monitor such changes closely and have strategies in place to deal with fluctuations as advantageously as possible for both the company and external stakeholders.

Sustainability risks

The H&M group's sustainability strategies aim to lead the change towards a more sustainable fashion industry. Climate change and its impacts has been identified as one of the company's most significant risks. Other principal risks identified include shortage of natural resources, failure to uphold human rights early in the value chain, corruption, political and social instability in production and sourcing markets, and changed consumption patterns and customer attitudes. This last factor could ultimately have major effects on the H&M group's sales — both positive and negative. The outcome depends on how successful the company is in its work to develop relevant and more sustainable customer offerings and business models. For a more detailed description of risks related to sustainability see pages 86-107. For the climate risk analysis according to TCFD, see pages 103-107.

Competitors

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

Information security and cybersecurity

All companies are exposed to various types of risks related to information technology. The risks to which the H&M group is exposed in this area are generically applicable to any large company, and especially to large companies that also trade online. These risks include hacking attempts on networks, disruption of system stability, and attempts to access customer accounts or login details from employees by means of phishing. The H&M group manages this type of risk continuously. Ongoing investments, adjustments and improvements are made to the organisation, systems, procedures and subcontractors in order to deal with security risks in the best way possible.

Data protection and GDPR

The H&M group works actively with privacy risks to protect customers' and employees' data, and to safeguard customer experience and employee confidence.

As legislation in some jurisdictions could lead to significant administrative fees, a central team provides support and guidance on privacy risks, data protection issues and new privacy legislations across countries relevant to H&M Group. Additionally, a central tech team provides support and guidance on how to use artificial intelligence in an ethical way.

Each regional organisation has a data privacy manager tasked with ensuring that the framework established by the central organisation is implemented. Compliance with the framework is governed by the central team and reported quarterly to an oversight steering committee.

FINANCIAL RISKS

Foreign currencies

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

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

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

if the Swedish krona has weakened or decrease if the Swedish krona has strengthened.

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

Trade intervention

Purchasing costs may be affected by decisions at a national level on issues such as export/import subsidies, customs duties (see more below), textile quotas and embargoes. The effects primarily impact customers and companies in individual markets. Global companies with operations in many countries are affected to a lesser extent, and among global corporations' trade interventions may be regarded as largely competition neutral. In the event of a major trade war between two countries, not just sourcing costs but generally also the entire flow of goods from production to the customer would be affected, which companies would need to mitigate.

Customs issues: Related party customs valuation continues to attract attention at a global, regional (the European Union) and national level, both from authorities and importers such as the H&M group. It will therefore continue to be important for the H&M group to proactively monitor and manage future developments in this area. One challenge is that customs authorities around the world are not taking a consistent approach to the assessment of pricing between related parties, even though the basis for customs duties is established according to the same global World Trade Organisation (WTO) customs valuation rules.

Taxes

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

The H&M group complies with national and international tax legislation, and always pays taxes and levies in line with local laws and regulations in the countries where the H&M group operates. The

H&M group complies with the Base Erosion and Profit Shifting (BEPS) principles and does not shift its income or profits between jurisdictions in a manufactured way, or abuse low-tax or secrecy jurisdictions (tax havens) to gain any tax or financial secrecy benefits. The H&M group's tax rate for the financial year 2021/2022 was 42.6 (23.0) percent.

The H&M group's tax policy, which can be found at hmgrouppublic.com/about-us/corporate-governance/policies, reflects and supports H&M's business. The H&M group follows the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines, which means that profits are allocated and taxed where the value is created. The tax policy aims at a sustainable tax rate for the H&M group as a whole, and therefore also for the individual countries in which the company operates. Details of individual jurisdictions' tax positions are made available in the country-by-country reporting as communicated with tax authorities around the globe. The H&M group has been successfully compliant with its tax policy for the financial year 2022 and the company's quality management system for international tax and transfer pricing has received an ISO 9001:2015 certification.

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

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

On 18 December 2020, the OECD published its Guidance on the transfer pricing implications of the Covid-19 pandemic, which represents the consensus view of the 137 members of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) regarding the application of the arm's length principle and OECD Transfer Pricing Guidelines to the situations and challenges associated with the Covid-19 pandemic. The H&M group applied the guidance in its transfer pricing model for 2022.

ARTICLES OF ASSOCIATION, ANNUAL GENERAL MEETING

According to H&M's articles of association, the board of H & M Hennes & Mauritz AB is to consist of no less than three and no more than twelve members elected by the general meeting, and no more than the same number of deputies. The annual general meeting decides the exact number of board members and which individuals are to be elected to the board. Board members are elected for the period until the end of the next annual general meeting. The general meeting also decides on amendments to the articles of association.

NUMBER OF SHARES, MAIN SHAREHOLDERS ETC

At the end of the financial year H&M had 254,495 shareholders. The total number of shares in H&M is 1,655,072,000, of which 194,400,000 are class A shares (ten votes per share) and 1,460,672,000 are class B shares (one vote per share). The quota value for the shares in H&M is SEK 0.125. As at 30 November 2022, H&M held 25,385,163 H&M class B shares in treasury (1.53 percent of all shares in H&M). All of these treasury shares were purchased for a total amount of SEK 3,000 m in share buybacks during the period June–November 2022 as authorised by the 2022 annual general meeting, for the purpose of distributing surplus liquidity and thereby adjusting H&M's capital structure by reducing its capital. It is intended that the shares repurchased will be cancelled through a resolution at the 2023 annual general meeting.

There are no restrictions on voting rights or authorisations to the board relating to the issue or acquisition of the company's own shares.

H&M's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 57.1 percent of the votes, as well as 653,093,901 (604,856,427) class B shares, representing 19.2 (17.8) percent of the votes. In addition, the family privately own 36,400,289 class B shares. This means that as of 30 November 2022, Stefan

Persson and family privately and via Ramsbury Invest AB represent 77.3 (75.9) percent of the votes and 53.4 (50.5) percent of the total number of shares. Ramsbury Invest AB is thus formally the parent company of H & M Hennes & Mauritz AB. Ramsbury Invest AB is owned by Stefan Persson and family, and primarily by Stefan Persson. Karl-Johan Persson is also a shareholder in Ramsbury Invest AB.

CORPORATE GOVERNANCE REPORT

H&M has elected to make the corporate governance report available as a standalone document to the annual report in accordance with chapter 6 § 8 of the Swedish Annual Accounts Act. The corporate governance report is available at hmgroup.com/investors/reports/ and is also included on pages 55-72 of the Annual and Sustainability Report.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

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

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

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

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

The H&M group's business plan aims to deliver long-term, sustainable and profitable growth. The business plan builds on the company's ongoing transformation work and is illustrated by a number of objectives to which the company's sustainability efforts and digital transformation contribute. These objectives are to continue improving the customer offering for all the brands, to build long-term and value-creating customer relationships, to offer an inspiring experience with integrated digital and physical channels, to adapt the supply chain so that it is faster and more flexible based on demand, and to add more revenue streams based on new emerging business models

and innovations. Moving successfully towards these objectives is expected to result in finances remaining sound and sustainable, in accordance with the H&M group's target of a strong capital structure with good liquidity and financial flexibility, allowing continued freedom of action for growth and investments.

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

Types of remuneration etc.

The total remuneration may consist of the following components:

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

Fixed basic cash salary

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

Variable remuneration

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

There shall be a clear link between the level of performance-based variable remuneration paid and the H&M group's financial and sustainable development. Senior executives' variable remuneration shall therefore depend on the fulfilment of targets. The targets shall aim to promote the H&M group's development in both the short and the long term.

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

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

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

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

part of the range within the set framework, therefore, the predetermined target levels are required to be exceeded.

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

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

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

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

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

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

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

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

Pension benefits

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

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

percent of the senior executive's annual fixed basic salary.

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

The retirement age for the CEO is 65.

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

Other benefits

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

Termination of employment

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

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

Salary and employment terms for other employees of the company

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

Consultancy fees

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

financial and sustainable development of the H&M group.

Decision process for establishment, review and implementation of the guidelines

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

Other

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

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

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

Description of significant changes to the guidelines and how shareholders' views have been taken into account

The pandemic has speeded up many changes in society and the industry that were already driving the H&M group's transformation. Digitalisation has accelerated and awareness of the importance of sustainable development has increased. In the H&M group's ongoing transformation it is important to have a good balance between short-term and long-term decisions. The proposed guidelines therefore include supplementary long-term variable remuneration for the executive management team while also clarifying the performance parameters for the short-term variable remuneration. In addition, the relationship between variable and fixed remuneration has been made clearer, and certain other changes have been made. The changes are in line with views presented by shareholders.

PROPOSAL TO THE 2023 AGM

The board is proposing to the 2023 AGM that no changes are made to the guidelines for remuneration of senior executives.

FINANCING AND LIQUIDITY

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

Cash flow and working capital

Cash flow from operating activities for the full year amounted to SEK 24,476 m (44,619). Excluding IFRS 16, cash flow from operating activities amounted to SEK 12,337 m (32,304). Working capital from operating activities amounted to SEK 24,419 m (19,983).

Liquidity and debt financing

The H&M group's liquidity remains very good. As at 30 November 2022 cash and cash equivalents amounted to SEK 21,707 m (27,471). In addition, the group has undrawn credit facilities of SEK 17,469 m (15,178). The total liquidity buffer, i.e. cash and cash equivalents plus undrawn credit facilities, amounted to SEK 39,176 m (42,649).

Interest-bearing liabilities in the form of commercial papers, bonds and loans from credit institutions amounted to SEK 10,778 m (9,614) as at 30 November 2022. The average maturity of interest-bearing liabilities was 4.3 (5.6) years.

Financial net cash amounted to SEK 10,929 m (17,857). Net debt including provisions for pensions and excluding IFRS 16 amounted to SEK -10,596 m (-17,428).

To improve the maturity structure of the group's undrawn revolving credit facilities the following financing activities took place in the 2022 financial year:

- The EUR 700 m credit facility opened in 2017 that expires in 2023 was closed.
- Two credit facilities opened in 2020 and expiring in 2023 for a total of SEK 8,000 m were closed.
- A five-year sustainability-linked EUR 1,300 m credit facility was opened, with two options to extend for a year at a time.
- A three-year sustainability-linked EUR 300 m credit facility was opened, with two options to extend for a year at a time.

A maturity analysis of outstanding interest-bearing liabilities and undrawn credit facilities is given in the table in note 2.

CAPITAL STRUCTURE

The 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. It should not exceed 1.0 x EBITDA over time. Net debt/EBITDA excluding IFRS 16 effects was -0.6 (-0.7) as at 30 November 2022.

IFRS 16 Leases, which is being applied from 1 December 2019, has substantial effects on the reporting of liabilities, assets and EBITDA. However, the H&M group will continue to define the capital structure exclusive of IFRS 16 effects. The company considers this to provide a clearer picture of the actual debt/equity ratio, and it is also the measure used in internal monitoring.

DIVIDEND POLICY

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.

Proposed distribution of earnings

The funds at the disposal of the parent company are SEK 16,009 m. The board of directors is proposing to the annual general meeting 2023 that a dividend of SEK 6.50 per share is paid, totalling SEK 10,593 m, and that the remaining earnings of H & M Hennes & Mauritz AB of SEK 5,416 m are carried forward. The dividend will be paid in cash, split into two instalments. The first payment of SEK 3.25 will be made in May and the second payment of SEK 3.25 will be made in November. The board's proposed record dates are 8 May 2023 and 10 November 2023. If the resolution is approved at the annual general meeting, the dividend is expected to be paid out on 11 May 2023 and 15 November 2023.

The board of directors will also ask the 2023 annual general meeting for authorisation allowing it to repurchase the company's own B shares in the period up to the 2024 annual general meeting for a maximum of SEK 3 billion. The board of directors will wait to see how the company develops during the year and the authorisation will only be used provided that, just as to date, the expansion and investments are able to take place with continued freedom of action and taking into consideration the financial position and capital structure targets of the group and the parent company, as well as the requirements that the nature and extent of the business and its risks and development plans impose on the equity and liquidity of the group and the parent company.

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

The board is proposing to the 2023 AGM that a cash dividend of SEK 6.50 per share is paid.

The following funds are at the disposal of the annual general meeting	SEK 16,009,039,715
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The board proposes a dividend to the shareholders of SEK 6.50 per share	SEK 10,592,964,441
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To be carried forward as retained earnings	SEK 5,416,075,274
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Total	SEK 16,009,039,715
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Statutory Sustainability Report

INTRODUCTION

This report is prepared in accordance with Chapter 6 §§ 10-14 of the Annual Accounts Act and covers the financial year from 1 December 2021 to 30 November 2022.

H&M Group reports against existing and evolving legislation, including policies developed by the European Union, Germany, Norway and the UK; read more at hmgroup.com/sustainability and in our Sustainability Disclosure. We also report against external frameworks including the Global Reporting Initiative, UN Guiding Principles Reporting Framework, and Task Force on Climate-related Financial Disclosures.

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

More detail on individual topics can be found in our latest Sustainability Disclosure at hmgroup.com/sustainability, or in other locations linked from relevant places in the text below.

Indicators marked * have been reviewed or partially reviewed by the company's auditors through a limited assurance process — the scope is confirmed with footnotes in relevant data tables.

OUR STRATEGY

We aim to grow our business in a way that decouples our financial growth and profitability from the use of finite natural resources, so that business and communities can thrive within the planetary boundaries. In early 2022, we strengthened this ambition by introducing a goal to double our sales (from a 2021 baseline) while halving our greenhouse gas emissions (from a 2019 baseline) by 2030. This goal is supported by our existing targets, including our science-based emissions reduction targets, and by short- and medium- term milestones that guide our actions.

Our ambition is to lead the change towards a circular fashion industry with net-zero climate impact, while being a fair and equal company. We will continue to

listen to our customers and meet them where they are, while inspiring them to develop a new relationship with fashion.

We report separately on environmental and social risks but recognise the deep interconnection between people and the planet, as existing inequities and threats to human rights are exacerbated by resource depletion and climate change. Through our strategy, we support progress towards the UN Sustainable Development Goals and Agenda 2030, alongside other global commitments such as the Paris Agreement on Climate Change and the UN Declaration of Human Rights. Learn more about our policies, strategies and performance in our Sustainability Disclosure, Global Reporting Initiative and UN Guiding Principles indexes, Modern Slavery Statement, and other supporting web content at hmgroup.com/sustainability.

Investments in sustainability provide H&M Group with long-term business opportunities, for example by offering customers new ways to experience fashion with less negative environmental or social impacts than traditional linear (make-use-dispose) business models. In a changing world facing significant social and environmental challenges and resource constraints, our work to improve our materials sourcing, processes and products also helps us to build resilience as a business and throughout our supply chain. See page 16 for details about our business model and page 31 for the business opportunities connected to the shift towards a circular, net-zero fashion industry.

Our strategy is underpinned by our commitment to respect human rights. It guides how we play our part in tackling climate change, supporting biodiversity, avoiding natural resource depletion and reducing social inequality. These and other risks to our business, the planet and people connected to our value chain are all interlinked. We engage with our stakeholders — who also represent or are themselves “rights holders” — as part of our process to determine material issues and key risks to human rights, and to mitigate these.

Find details of our operational risks on pages 76-78, our climate-related risks in our reporting against Task Force on Climate-related Financial Disclosures recommendations on page 103-107, and our risks to people in our Salient Human Rights Issues analysis at <https://hmgroup.com/sustainability/fair-and-equal/human-rights/>.

TRANSPARENCY

Transparency is central to our strategy. While not a direct indicator of sustainability performance, increased disclosure creates accountability and comparability.

This year the fashion industry has faced increased scrutiny over sustainability claims. While brands have responded to increasing customer demands for product sustainability information, the lack of robust data systems, harmonised legislation and a standardised approach to sustainability claims have hindered true accountability and comparability. Together with peers and stakeholders, H&M Group is working to improve this, by testing and piloting new ways of tracing materials and collecting and sharing data.

We welcome the positive shift towards clearer guidance and increased transparency, which can only be achieved through improved data collection and traceability. Our intention is to continue providing impact data to customers and other stakeholders, to incentivise and drive positive change in the industry. H&M Group remains committed to increasing our level of transparency. We work to continually improve the comparability and quality of the data, systems and calculations we use.

Read about H&M Group's commitment to transparency on page 22 and in our Sustainability Disclosure at hmgroupp.com/sustainability.

OUR VALUE CHAIN

Our value chain includes the full range of activities required to plan, design, source, process and manufacture, transport, market, sell, use, rent, reuse and recycle our products.

We continually evolve our value chain to become more customer centric and aligned with our sustainability vision — moving from a linear system toward an ecosystem where resources recirculate between different people and partners. We are developing reverse supply chains to recover resources from our production processes or collect used garments and feed these back into making new products. We are also investing in new ways to bring products to our customers, such as reselling pre-owned products. These efforts help us to build more resilient supply chains and business models, and strengthen our customer experience. We work with several supply chains, including:

- **Production supply chain:** Suppliers that contribute to making the apparel, footwear, homeware and beauty products we sell through our brands.
- **Services supply chain:** Suppliers that provide services such as landlords, cleaning, construction, warehouse operations and transportation.
- **Other supply chains & business partners:** Such as administration, business services, procurement, and communications and marketing services.

The size and scale of our business connects us to people, communities, natural systems, peers and other businesses and organisations globally. We work with approximately 500 commercial product suppliers for the H&M brand and portfolio brands. These suppliers operate approximately 1,200 manufacturing units and final product processing units (collectively called supplier factories) for apparel, footwear, accessories, home interior products, furniture and beauty products. H&M Group has 15 production offices across major sourcing markets. We have 4,465 stores in 78 markets and 58 online markets.

Across our entire value chain, we aim to maximise positive impacts and minimise negative ones — guided by our values, policies and long-term business and sustainability goals. In line with our strategy, we work to secure human rights, have a positive social impact on people in our operations and supply chain, promote inclusion and diversity, and reduce resource use and negative impacts on climate, water, land and biodiversity.

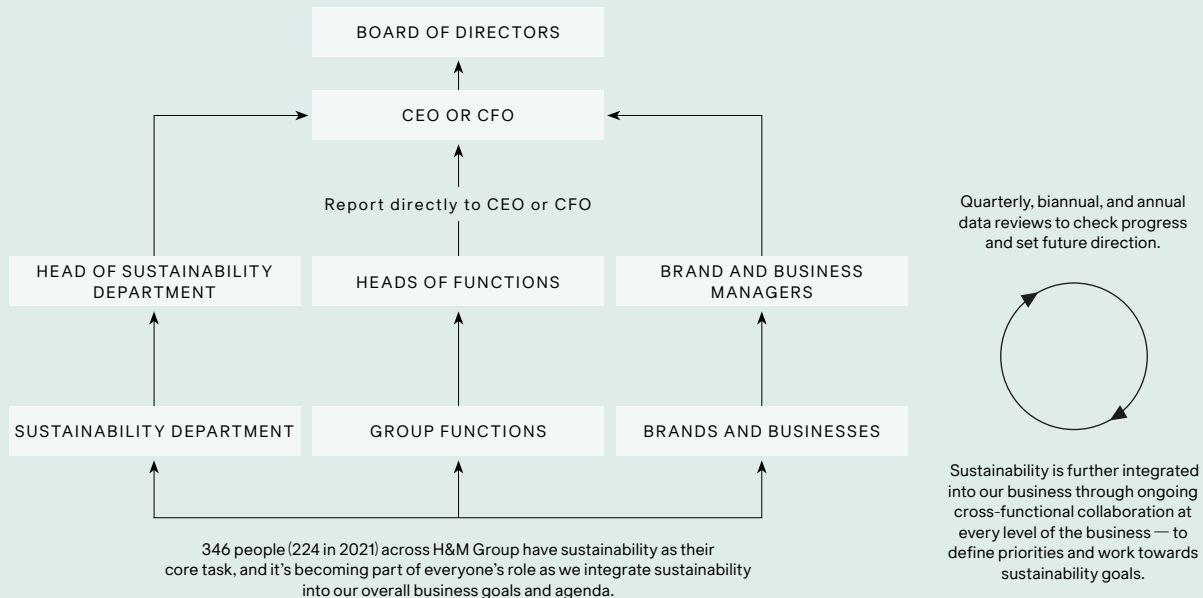
SUSTAINABILITY GOVERNANCE

Structures & accountability

Our head of sustainability together with the executive management team are responsible for implementing the company's sustainability vision. The head of sustainability and of each function and brand reports directly to the CEO or CFO, including information on sustainability key performance indicators (KPIs). For further details on our corporate governance, see page 55.

Accountability for implementation and performance against our strategies, policies and goals is integrated into key roles and responsibilities in our respective business functions and brands, and forms part of their performance review with our CEO. Our business functions and brands are supported by 37 experts and 11 managers in our global Sustainability Department.

Sustainability governance diagram



Our Sustainability Department gives quarterly progress reports against sustainability KPIs, key challenges, learnings and activities — facilitating visibility of impacts, achievements and challenges across functions, brands and markets. In addition, the head of sustainability reports a performance overview to the board of directors biannually.

A total of 346 people across the group have sustainability as their core task, and we continue to integrate sustainability into wider roles across H&M Group. We connect management remuneration to sustainability performance.

We engage with external and internal stakeholders to ensure material issues and human rights risks are identified, prioritised and incorporated into the company's strategies and procedures. Engagement with stakeholders also informs our risk management process, which we have strengthened this year to ensure greater integration with our corporate governance processes.

Due diligence & risk management

Our commitments to respect and advance human rights and to reduce environmental impact are central to our due diligence. We have integrated our human rights due diligence process further into our corporate governance and risk management processes, to ensure our business decisions consider the potential

for impacts to the rights holders affected by our business. We recognise the interconnectedness between environmental issues such as climate change, resource use, biodiversity and water scarcity, and human rights and livelihoods.

We are continuing to evolve our risk-based human rights due diligence process, which applies to our operations, value chain and the communities where we operate. This process is based on the [Organization for Economic Cooperation and Development Guidelines for Multinational Enterprises](#) and the [UN Guiding Principles](#). We pay special attention to groups vulnerable to infringement of rights, such as migrant workers and children. We do not accept forced labour or child labour.

We identify and manage human rights risks in our value chain through the following steps:

- **Policy development.** We develop, update and apply relevant human rights policies and standards to our daily business operations, including internal social policies and the Sustainability Commitment for suppliers and business partners.
- **Due diligence.** We engage in ongoing due diligence to identify and assess human rights risks and impacts, and to prevent, mitigate and remedy issues in line with the UN Guiding Principles on Business and Human Rights (UNGPs).

- **Grievance mechanisms and incident management.** We strive to support grievances to be handled and addressed as close to the issue as possible — and for grievance and remediation processes to be transparent, trusted and accessible for the intended user. Our Internal Grievance Policy outlines one of our internal processes, and we expect business partners to have similar operational-level grievance mechanisms in place. Since 2022, anyone can raise and escalate concerns using our Speak Up channel — our corporate complaints channel — for reporting suspected misconduct across our value chain.¹ The channel supports anonymous reporting and we do not tolerate retaliation toward the person reporting.
- **Stakeholder engagement.** We engage with stakeholders (rights holders), including workers, employees, customers, employers, unions, human rights experts and civil society. Read more about our stakeholder engagement activities at hmgroup.com/sustainability.
- **Training.** We provide human rights training, tailored to our different functions and roles. This includes a basic introduction to human rights, an outline of the company’s responsibilities in line with the UNGP, and an explanation of due diligence and management processes. It also includes topic-specific training for parts of the organisation, such as awareness raising on specific topics such

as forced labour and fair recruitment of migrant workers, health and safety, inclusion and diversity, data privacy and child rights.

Read more about our operational risks — including risks related to sustainability, cybersecurity and data protection, macroeconomic and geopolitical factors, and reputational risks — on pages 76-78. Read our Task Force on Climate-related Financial Disclosures (TCFD) reporting on pages 103-107 for more information on climate-related risks and opportunities.

Supply chain management

We have historically focused largely on driving environmental and social progress in our production supply chain as this is where we have the biggest impact. We are increasingly working more closely with our other supply chains, taking the same systematic approach to identifying the most significant risks to the environment and human rights and addressing them through policies, partnerships and continuous improvement.

All business partners need to comply with our Code of Ethics, and requirements relating to environment and human rights standards. For our major supply chains these requirements are spelled out in our Sustainability Commitment. The Code of Ethics also outlines a zero-tolerance policy on corruption and requires business partners and employees to comply with relevant legislation as well as our own business principles. Our

SUPPLIER COVERAGE OF SIPP, FEM, FSLM & VERIFICATION	2021	2022
SIPP (Sustainable Impact Partnership Programme)		
Tier 1 supplier factories that have implemented SIPP	100%	100%
Tier 2 dyeing and printing supplier factories that have implemented SIPP	100%	100%
FEM (Higg Facility Environmental Module)		
Tier 1 supplier factories that have implemented FEM (% coverage)	894	858 (67%)
Tier 2 supplier factories that have implemented FEM (% coverage)	337	509 (53%)
Tier 1 third-party verifications for FEM (verifications November 2021–October 2022)	98%	849 (99%)
Tier 2 third-party verifications for FEM (verifications November 2021–October 2022)	98%	505 (99%)
FSLM (Higg Facility Social and Labor Module)		
Tier 1 supplier factories that have implemented FSLM (% coverage)	883	843 (66%)
Tier 2 supplier factories that have implemented FSLM (% coverage)	332	501 (52%)
Tier 1 third-party verifications for FSLM (November 2021–October 2022)	96%	843 (100%)
Tier 2 third-party verifications for FSLM (November 2021–October 2022)	94%	501 (100%)

¹⁾ Excludes Germany.

FEM ¹ SCORES — PARTICIPATING TIER 1 & TIER 2 SUPPLIER FACTORIES	2020	2021	2022
Overall score (out of 100) ²	52	57	64
<i>Based on the combined average for...</i>			
Environmental Management Systems	59	70	78
Energy use and greenhouse gas emissions	82	87	91
Water use	73	76	82
Wastewater	59	67	74
Air emissions	29	29	38
Waste management	34	37	43
Chemical management	29	32	39

1) Higg Facility Environmental Module.

2) Average of all active, approved tier 1 and tier 2 factories that have a verified score, except four factories providing self-assessed result due to their high performance and low deviation between self-assessed and verified score in the past years. Scores are based on the previous year's data, e.g. the 2022 overall score is based on 2021 data.

Sustainability Commitment is included in contractual agreements, and we take a risk-based and context-adjusted approach to follow up on compliance with our evolving requirements.

Our Sustainable Impact Partnership Programme (SIPP) monitors compliance with our standards, measures performance, supports suppliers' due diligence procedures, and encourages improvements in our production supply chain. Through SIPP, we assess supplier factories against tools developed by the Sustainable Apparel Coalition (SAC) together with the industry, academia, NGOs and others. These tools are the Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM). See below for supplier SIPP, FEM, FSLM coverage, third-party verification coverage, and FEM scores. We continue to engage with the SAC and peers to advocate for and develop an impact-focused FSLM industry scoring tool.

Through our Sustainability Index and other business KPIs we identify and reward high-performing suppliers with better business prospects. It includes consideration of suppliers' FEM/FSLM assessment results and performance data.

Read about how we work with suppliers — including our production supply chain and other supply chains — and our supply chain performance in our Sustainability Disclosure at hmgroup.com/sustainability.

CIRCULARITY, CLIMATE & NATURE

Risks & opportunities

Environmental risks to our business, value chain, communities and the planet include depletion of natural resources, climate change, biodiversity loss, land use change, water impacts, and changing consumption patterns. Many environmental risks are closely connected to human rights risks — for example land rights and livelihoods, the right to access clean water and the impact of climate change on communities that already have inequitable access to resources or finance. Find further details on our operational risks on pages 76-78. Read our Task Force on Climate-related Financial Disclosures (TCFD) reporting on pages 103-107 for more information on climate-related risks and opportunities — including physical risks from climate change and risks and opportunities associated with the transition to a lower-carbon economy.

As customer preferences continue to evolve, we see an increased relevance and opportunity to engage with this key group of stakeholders on environmental topics. Our focus is on further accelerating investment in products, supply chains and customer journeys that support a circular, net-zero fashion sector. There is increased potential to create positive impact and longer-lasting relationships with customers by offering services throughout products' lifecycles that increase product value and use.

Identifying, investing in, testing and scaling innovative materials and processes, planning accuracy, and new ways to access fashion will further improve the

resilience of our business and supply chain by reducing dependence on limited natural resources. It will also support our commitment to respect and advance human rights and contribute to more favourable environmental conditions for communities and people.

Find further explanation of the company's focus on circularity, climate and nature in our Sustainability Disclosure at hmgroup.com. See page 31 in this report for more details on how the company connects sustainability to our customer offering.

Strategy & policies

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

- **Climate and nature.** We are working to achieve our science-based target of net-zero greenhouse gas (GHG) emissions across our value chain by 2040, reach a 30 percent reduction in absolute total freshwater use by 2030, ensure wastewater quality, and contribute to the global goal to have a positive impact on nature in line with the ARRRT (Avoid, Reduce, Restore, Regenerate, Transform) framework.
- **Resource use and circularity.** We are committed to move from a linear to a circular ecosystem, where resources are kept in use for as long as possible, to support the decoupling of our business growth from resource use. We seek to use circular design and use recycled, regenerative or other sustainably sourced materials, alongside investing to scale the repair, reuse, remake and recycling of products, packaging and non-commercial goods. Read more about how we define these terms in our Sustainability Disclosure at hmgroup.com/sustainability.

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

Learn more about our Circularity, Climate and Nature strategy in our Sustainability Disclosure at hmgroup.com/sustainability. For more details on related policies and standards, visit hmgroup.com.

Net-zero, as defined by the Science Based Targets initiative (SBTi), focuses on reducing emissions as far as possible before removing emissions that cannot be

avoided. By aiming for net-zero we focus on reducing our absolute climate impact, supported by our public affairs work and collaboration to effect wider climate progress.

Performance

The Circularity, Climate & Nature KPI table (see page 92) features indicators selected to offer an overview of our performance. Here, we share additional details:

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

- Our scope 1 and 2 emissions decreased by 8 percent, compared to our 2019 baseline (an increase of 18 percent compared to last year) and our scope 3 emissions decreased by 7 percent, compared to our 2019 baseline (a decrease of 4 percent compared to last year). The increase in scope 1 and 2 emissions compared to last year was largely a result of the reduction in the share of renewable electricity purchased in 2022. This is primarily due to us not purchasing renewable electricity certificates in Russia, and to some degree sourcing challenges in a few other markets. A historic undercalculation due to use of an incorrect conversion factor for natural gas calculations also caused part of this increase in emissions. Read more about changes to our scope 1, 2 and 3 emissions reporting at hmgroup.com/sustainability/sustainability-reporting/how-we-report/.
- Use of renewable electricity in our own operations was 92 percent (compared to 95 percent in 2021). The reduction in renewable electricity purchasing in 2022 is due to us not purchasing renewable energy certificates in Russia this year, and to some degree sourcing challenges in a few other markets.
- We no longer onboard any new suppliers or supplier factories if they have on-site coal boilers in their facilities — as part of a longer-term aim to phase out coal from our supply chain. Supplier factories reporting use of on-site coal boilers dropped to 70³ (91 in 2021) due to factors including our phase-out of on-site coal, changes in our supplier base, local policy, and H&M Group pushing for increased electrification of steam. We are working closely with supplier partners and local stakeholders in our production countries to accelerate total substitution

3) Based on Q3 data.

CIRCULARITY, CLIMATE & NATURE KPIS

KPI ¹	2020	2021	2022	GOAL	
Climate: % absolute reduction (scope 1 and 2) in GHG emissions compared with 2019 baseline* ^{2,3,4}	+15	-22	-8	-56% by 2030	
Climate: % absolute reduction (scope 3 — excluding use-phase emissions) in GHG emissions compared with 2019 baseline* ^{2,3,4}	-8	-3 ⁵	-7	-56% by 2030	
Climate: % renewable electricity in own operations* ⁴	90	95	92 ⁶	100% by 2030	
Water: % reduction in production water use (water intensive tier 1 and 2 suppliers) from 2017 baseline ⁷	-4	-14 ⁸	-21 ⁹	-25% by 2022	
Water: % of water recycled out of total production water consumption ⁷	18	21	21	15% by 2022	
Water: % change in absolute total freshwater use (2022 baseline) ¹⁰	-	-	Baselining year	-30% by 2030	
Commercial goods: % of recycled or other more sustainably sourced materials* ¹¹	Total	65	80	84	100% by 2030
	Other more sustainably sourced	59	62	61	Monitor
	Recycled	6	18	23	30% by 2025
Packaging: % of recycled or other more sustainably sourced materials used ¹²	-	68	85	100% by 2030	

* Reviewed by the company's auditors through a limited assurance process. The limited assurance process includes: all scope 1 and 2 emissions; scope 3 emissions for transportation, raw materials, garment manufacturing and fabric production; renewable electricity; all cotton and synthetics data including our top three recycled materials (cotton, polyester, polyamide).

- In 2022, the company updated the selection of KPIs reported in this statutory report to include our water recycling goal and — in preparation for reporting from next year — our new absolute water reduction goal. In future years, we will expand this list to include new KPIs related to our focus on circularity and resource use. We continue to report KPIs and data on chemicals, cotton sourcing and packaging in our Sustainability Disclosure at hmgroupp.com/sustainability.
- Scope 1 emissions are all direct emissions from our own operations; scope 2 represents indirect GHG emissions from consumption of purchased electricity, heat or steam used in our own operations; scope 3 includes other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities not covered in scope 2, outsourced activities, and waste disposal. Includes emissions related to raw materials, fabric production, garment manufacturing, non-garment/non-commercial goods, and customer electricity usage. Scope 1 and 2 limitations and comments: Only stores open for the full quarter are included; company cars and refrigerant leakage are not included, electricity consumption for HVAC operated by landlord not included; electricity consumption includes both actuals and estimations, where estimations are made if actuals are not received within the reporting deadline; for stores estimates are based on current average of opening hours and store area, for other facilities estimates are based on previous consumption; includes market-based emissions from electricity. Scope 3 limitations and comments: franchise emissions are calculated based on electricity intensity from comparable markets; capital goods, upstream leased assets, downstream leased assets, and processing of sold products are not included; upstream transportation between suppliers, e.g. yarn spinner and fabric producer, are included in emission factors for materials. To align with the Science Based Targets initiative's requirements, the customer use phase is not included in the scope 3 goal. We will set a separate goal for the customer use phase. Scope 1 and 2 emissions factors: electricity — based on IEA data from CO₂e Emissions from Fuel Combustion © OECD/IEA 2020, www.iea.org/statistics, licence www.iea.org/t&c; as modified by UL E&S; fuels — Department for Business, Energy & Industrial Strategy (BEIS), 2021 <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>. Scope 3 emissions factors: raw material and fabric production — Higg MSI; garment production — electricity based on IEA data from CO₂e Emissions from Fuel Combustion © OECD/IEA 2020, www.iea.org/statistics, licence www.iea.org/t&c, as modified by UL E&S; fuels — 2018 update <https://www.epa.gov/climateleadership/center-corporate-climate-leadership-ghg-emission-factors-hub>; other expenditures — Defra, 2014, Indirect emissions from the supply chain; transport by rail, air, shipping, truck — emissions factors provided by Conlogic and NTM 2019.
- During 2022 we have identified that the conversion factor in our system for natural gas reported in terms was incorrect. Therefore we have underreported scope 1 emissions with 2022 tCO₂e 2019, 1541 tCO₂e 2020, and 3408 tCO₂e 2021. We have also changed systems for calculating emissions for international freight in order to get better granularity and internal control. Therefore we have recalculated the emissions for international freight historically. The updated result is decreasing historic emissions as follow: 2019 - 51 ktCO₂e, 2020 - 101 ktCO₂e, 2021 - 118 ktCO₂e. Read more about changes to our scope 1, 2 and 3 emissions reporting at hmgroupp.com/sustainability/sustainability-reporting/how-we-report/.
- We use a shifted reporting year for energy and GHG emissions. For years 2019-2021 this is covering the period September–August but from 2022 and onwards it is aligned with our financial year which is covering the period December–November. Since historic years market-based emissions and renewable electricity certificates purchase have been made on the period September–August we are not changing this, but rather highlighting that from 2022 and onwards it will follow December–November.
- Since the release of the previous report, we have changed our GHG emissions reporting period to better match our financial reporting. We are also continuously improving our calculation method and strengthening our emissions data, which requires updates to historical data. These changes have led to a smaller decrease between 2019-2021 than previously reported, mainly due to the baseline year emissions being lower than previously reported, rather than the emissions in 2021 being higher.
- The reduction in renewable electricity purchasing in 2022 is due to us not purchasing renewable energy certificates in Russia this year, and to some degree sourcing challenges in a few other markets.
- Data based on Q1 to Q3 2022. From next year, we will move to reporting against our new Water Strategy goals, based on 2022 baseline data.
- 2021 data restated as -14% for the full year — in last year's report we stated -10.3% based on Q1 to Q3 2021.
- Includes a total of 440 manufacturing, fabric dyeing and printing suppliers in both tier 1 and tier 2 with water-intensive wet production, based on Q1-Q3 2022 performance data, reported by factory and calculated using weighted averages for litre per kg of dyed knitted fabric, litre per metre of woven/denim fabric, and litre per unit of product washed.
- New KPI added in 2022.
- Based on season 5 and season 6 data for 2022. Includes all shell materials — does not include materials used as filling, lining or trims on garments. Read about how we define "more sustainably sourced" for different raw materials in our material categorisation at hmgroupp.com/wp-content/uploads/2021/11/HM-Group-Material-Categorisation-2021-1.pdf.
- In 2022 we continued to improve data management systems and the traceability process to secure certified packaging. To align with the 2021 improved methodology to capture FSC certifications, data for 2020 is removed.

of coal, as well as financially supporting suppliers to transition to solar PV, solar thermal, and thermal energy from agricultural residues. This will make a significant contribution to reaching our absolute GHG emissions reduction goal.

- Our total 2022 spend on decarbonisation — including, for example, energy efficiency investments in our stores, supporting our suppliers

to phase out coal and increasing the share of more sustainably sourced materials — was approximately SEK 2.6 billion.

- In 2021, we issued a EUR 500 million sustainability-linked bond with the aim of financing — among other things — an accelerated transition to recycled materials and reduction of GHG emissions (scope 1, 2 and 3) in our supply chain. The bond was 7.6

times oversubscribed and the interest rate is tied to how well we succeed at achieving the recycled materials and GHG emissions reduction targets. Read more about our sustainability-linked bond at hmgroupp.com.

- We joined the LEAF (Lowering Emissions by Accelerating Forest Finance) Coalition, which brings together the private sector and governments to reduce emissions by protecting tropical and subtropical forests. We also entered into our first contract for permanent¹³ carbon dioxide removal (CDR), via a multi-year agreement with Climeworks using direct air capture and storage.
- We partnered on a range of projects to introduce regenerative practices in agriculture, which encourage plant and diversity, restore soil health and biodiversity, and support the livelihoods of local communities. For example, through our three-year partnership with BKB and Textile Exchange in South Africa, we aim to introduce regenerative practices across more than 500,000 hectares, support land conservation and restoration, monitor outcomes on 500 hectares of land and deliver training to 1,000 BKB farmers.
- We worked with the Textile Exchange’s Leather Impact Accelerator (LIA) to devise a framework for best practices in leather supply chains and prevent deforestation practices in supplier farms.
- We have achieved a 21% water recycling rate and 21% improvement in water efficiency in our supply chain, compared to a 2017 baseline. This equates to a combined overall 38% relative water consumption reduction — close to our 40% goal, despite the challenges of regaining momentum in the wake of the Covid-19 pandemic. In addition, 49% of our facilities now harvest rainwater, against our goal of 50%.
- We had challenges in meeting our goal for 100% functional effluent treatment plants (ETPs) with “green” grading and compliance with wastewater quality. Our investigations identified key remediation actions relating to operation control, which we will execute in the coming years. These include engaging a third-party wastewater engineering company for ETP assessments in

India, Bangladesh and Türkiye, raising our minimum requirement bar to “green” graded ETPs only from 1st of Jan 2023, and raising our wastewater quality requirements.

- We launched our new Water Strategy 2030 as the next step following our 2018-22 Water Roadmap. The new strategy marks a shift away from relative water efficiency to focus on absolute water use reduction, which will measure how well we decouple growth from resource consumption. We have set contextual water targets guided by local basin and operational issues in each of our facilities, and such targets include quality, governance, access to water and sanitation (WASH) and flooding risk. We will report on progress against these targets starting from next year.
- We sourced 84 percent recycled or other more sustainably sourced materials in our commercial goods compared to 80 percent in 2021. This further progress towards our 100 percent goal is largely due to an increase in the use of recycled materials such as cotton and polyester.
- We set a long-term materials vision to move towards a resilient and circular material sector that stays within planetary boundaries, supports human rights and livelihoods, and thrives on innovation— with the pillars of recycled, regenerative and responsible sourcing.
- Our use of plastic packaging has decreased by 44 percent compared to our 2018 baseline (compared to 28 percent in 2021), as a result of ongoing focus on addressing problematic packaging such as hangers and plastic bags. We are not reporting our overall percentage change in packaging this year, since we are in the process of revising this goal and our packaging strategy — including calculating a new baseline figure for the overall amount of packaging used.
- Overall, 85 percent of our packaging used recycled or other more sustainably sourced materials, compared to 68 percent in 2021.
- In support of our aim to design all our products for circularity¹⁴ by 2025, we are testing and developing tools and methods including our circular product

13) Permanent carbon dioxide removals for use under the net-zero standard are currently being defined by the SBTi, but will likely mean those that have a durability of >1000 years.

14) In accordance with our Circulator tool.

development tool and guide, [Circulator](#). Integrating new ways of working to design for circularity requires a mindset shift, which is a long process. There are challenges with securing early-stage data that enables Circulator's predictive assessment, and we are exploring how to update our way of working to obtain this. We will focus on further developing and expanding Circulator to other product types, while building knowledge and increasing the circular potential of our products.

- We continued to expand access to the resell platform Sellpy. In 2022, more than eight million second-hand items were traded on the site across 24 markets.
- We collected 14,768 tonnes of material via the existing H&M Group garment collecting initiative in 2022 (15,944 tonnes in 2021; 18,800 tonnes in 2020).¹

1) Our garment collecting initiative was disrupted by the Covid-19 pandemic for part of the year in 2020 and for the full year in 2021. Since March 2022, our garment collecting has been paused in Ukraine, Russia & Belarus.

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

REPORTING IN LINE WITH ARTICLE 8 OF THE EU TAXONOMY REGULATION

During 2022, H&M Group performed an inventory of its activities according to article 8 of the EU Taxonomy Regulation. The EU Taxonomy Climate Delegated Act currently covers sectors in which H&M Group does not operate. Economic activities for our industry sector are therefore not classified as taxonomy-eligible with regard to the first two environmental objectives — climate change mitigation and climate change adaptation. H&M Group has, however, identified several crosscutting (non-business related) activities that we consider to be eligible for CapEx and OpEx reporting according to the regulation.

H&M Group applied the precautionary principle to our assessment, and activities that are not material for H&M Group have been left out.

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2022

Economic Activities (1)	Codes (2)	Absolute Turnover (3) Currency	Proportion of Turnover (4) %	Substantial Contribution Criteria					
				Climate Change Mitigation (5) %	Climate Change Adaptation (6) %	Water and marine Resources (7) %	Circular Economy (8) %	Pollution (9) %	Biodiversity and Ecosystems (10) %
A. Taxonomy-eligible activities %									
A.1 Environmentally sustainable activities (Taxonomy-aligned)		0	0						
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
A.2 Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy aligned activities)		0	0						
Turnover of taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy Aligned activities) (A.2)									
TOTAL A.1 + A.2		0	0						
B. Taxonomy non-eligible activities									
Turnover of taxonomy non-eligible activities (B)		223,553	100.00%						
Total (A+B)		223,553	100.00%						

In addition, activities that do not exceed a total financial threshold of SEK 50 million have not been included.

Accounting Principles

Turnover

As Footwear and Apparel sector is not yet in scope, H&M Group did not identify any taxonomy-eligible turnover.

For further information about turnover, please see the H&M Group income statement on page 108.

CapEx

For fiscal year 2022, H&M Group identified two material investments to report on under the EU Taxonomy Climate Delegated Act. These are the company’s LED fitting project, under activity 7.3, and all new and renegotiated right of use assets, under activity 7.7. For activity 7.3, the change to energy efficient light fittings was determined eligible according to the relevant technical criteria. For activity 7.7, right of use assets fall under eligible activity classification relating to leased usage of potentially

aligned premises. All other eligible activities have been deemed immaterial.

For further information about CapEx, please see the H&M Group balance report on page 110.

OpEx

H&M Group owns very few buildings and seldom controls more than 30% of the premises in a building. Based on this, very little of the relevant taxonomy OpEx is eligible and deemed material. No OpEx has therefore been allocated to any eligible activity. In H&M Group’s reporting, the total OpEx includes repair and maintenance, as well as R&D expenses.

For further information about OpEx, please see the H&M Group income statement on page 108.

Assessment of compliance

H&M Group has applied EU Taxonomy accounting rules for Turnover, CapEx and OpEx and has identified several cross-cutting (non-economic) activities that fall within the scope for the Apparel and Footwear sector.

DNSH (Does Not Significantly Harm)							Minimum Safeguards (17)	Taxonomy Aligned Proportion of Turnover Year 2022 (18) Percent	Taxonomy Aligned Proportion of Turnover Year 2021(19) Percent	Category (enabling activity) (20) E	Category (transitional activity) (21) T
Climate Change Mitigation (11) Y/N	Climate Change Adaptation (12) Y/N	Water and marine Resources (13) Y/N	Circular Economy (14) Y/N	Pollution (15) Y/N	Biodiversity and Ecosystems (16) Y/N						
								0			
								0			

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES -
DISCLOSURE COVERING YEAR 2022

Economic Activities (1)	Codes (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial Contribution Criteria					
				Currency	%	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and marine Resources (7)	Circular Economy (8)
				%	%	%	%	%	%
A. Taxonomy-eligible activities %									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
-		0	0						
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
A.2 Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy aligned activities)									
Ownership of buildings	7.7	3,555	3.87%						
LED fitting project	7.3	445	0.48%						
CapEx of taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy Aligned activities) (A.2)									
TOTAL A.1 + A.2		4,000	4.35%						
B. Taxonomy non-eligible activities									
CapEx of taxonomy non-eligible activities (B)		87,892	95.65%						
Total (A+B)		91,892	100.00%						

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES -
DISCLOSURE COVERING YEAR 2022

Economic Activities (1)	Codes (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial Contribution Criteria					
				Currency	%	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and marine Resources (7)	Circular Economy (8)
				%	%	%	%	%	%
A. Taxonomy-eligible activities %									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
-		0	0						
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
A.2 Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy aligned activities)									
-		0	0						
OpEx of taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy Aligned activities) (A.2)									
TOTAL A.1 + A.2		0	0						
B. Taxonomy non-eligible activities									
OpEx of taxonomy non-eligible activities (B)		216,403	100.00%						
Total (A+B)		216,403	100.00%						

DNSH
(Does Not Significantly Harm)

Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)	Taxonomy Aligned Proportion of CapEx Year 2022 (18)	Taxonomy Aligned Proportion of CapEx Year 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
							0			
							0			

DNSH
(Does Not Significantly Harm)

Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)	Taxonomy Aligned Proportion of OpEx Year 2022 (18)	Taxonomy Aligned Proportion of OpEx Year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
							0			
							0			

Below, please find a detailed explanation of eligibility for each of the identified activities.

7.2 Renovation of existing buildings.

H&M Group owns very few buildings, none of which have undergone any major renovations. Any eligible activities have therefore been deemed immaterial.

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 investment nature. H&M Group has, however, carried out an LED project that entails changing all lights to energy efficient LED fittings in all H&M Group stores. This project falls under the EU Taxonomy activity 7.3 description, and is therefore included in our taxonomy reporting.

7.6 Installation, maintenance and repair of renewable energy technologies.

H&M Group is undertaking various renewable energy projects, most of which are immaterial or of financial support rather than investment nature and are not included in CapEx. Any other eligible activities have been deemed immaterial.

7.7 Acquisition and ownership of buildings.

H&M Group owns very few buildings and no new buildings have been acquired or constructed during 2022. Any eligible activities have therefore been deemed immaterial. H&M Group does, however, have an extensive amount of right of use assets, as all H&M Group's store locations are leased. All of H&M Group's new or renegotiated right of use assets are reported.

Activities falling under CapEx related to products and services purchased from third parties, including right of use assets, cannot currently be verified as aligned with the criteria for significant contribution and do no significant harm, and are therefore reported as eligible.

For more information on H&M Group's requirements on minimum social safeguards, please see the Statutory Sustainability Report on page 86.

SOCIAL IMPACT

Risks & opportunities

Social risks to people and human rights across our value chain are primarily linked to working conditions, inclusion, diversity, impacts on communities connected to environmental degradation, and vulnerable groups at greater risk of human rights violations.

Our commitment to respect internationally recognised human rights is the foundation of everything we do. We base our approach on the UN Guiding Principles on Business and Human Rights (UNGP) and communicate our commitment via our Human Rights Policy, available at hmgroup.com. Our actions are primarily focused on the human rights at risk of the most severe negative impact linked to our business, our salient issues. For more details on our Salient Human Rights Issues analysis see <https://hmgroup.com/sustainability/fair-and-equal/human-rights/>. See also pages 76-78 for further details on our operational risks.

The people involved in our value chain are essential to our success as a business. By upholding their rights, working to ensure fair and decent jobs, and promoting inclusion and diversity, we attract and retain talent, and help individuals to reach their potential. A diverse, inclusive workforce helps the company to create a relevant and relatable customer offering.

There is much room for improvement on social impact and human rights in the garment and textile sector. At the same time, the fashion industry provides millions of entry-level jobs, especially for women, and contributes to economic development in emerging and evolving communities. We recognise the importance of responsible business conduct by our industry and our company, to both respect and advance human rights where we operate.

Strategy & policies

We have a responsibility to respect the rights of everyone involved in and affected by our value chain, driven by our commitment to be a fair and equal company. We work to accelerate positive impacts and inclusion and equality for all those impacted by our business and value chain, with a focus on labour rights, the unequal treatment of people, and human rights negatively impacted by resource use or environmental degradation.

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

FAIR & EQUAL KPIS

KPI ¹	2020	2021	2022	GOAL
Own operations: % of employees agreeing with the statement “I am treated with respect and dignity”	80	83	84	Annual increase
Own operations: % of female employees, in management positions and on the board of directors ²	Employees: 74 Management: 71 Board: 67	Employees: 74 Management: 71 Board: 55	Employees: 75 Management: 75 Board: 55	Monitor
Own operations: % of employees that have received our Layers inclusion and diversity training ³	-	Brands: 15 Functions: 66 Markets: 21 Total number of participants in Layers training in 2021: 23,253	Brands: 22 Functions: 71 Total number of participants in Layers training in 2022: 21,476	Monitor
Supply chain: % of tier 1 supplier factories that have trade union representation ⁴	32	37	42	Monitor
Supply chain: % of tier 1 supplier factories that have collective bargaining agreements in place ⁴	18	27	34	Monitor
Supply chain: % of tier 1 supplier factories with Health and Safety Committees in place ⁵	-	-	98	Monitor
Supply chain: % of female workers, supervisors, and worker representatives in our tier 1 supplier factories	Workers: 63 Supervisors: 24 Representatives: 59	Workers: 63 Supervisors: 28 Representatives: 62	Workers: 62 Supervisors: 27 Representatives: 63	See footnote 6
Community investment initiatives: total number of beneficiaries and total value of contributions ⁷	-	Beneficiaries: 368,000 Contributions: SEK 180.4 million	Beneficiaries: 745,517 Contributions: SEK 114.2 million	Monitor

1) We continue to update the selection of KPIs reported in this statutory report to provide a more meaningful overview of our key human rights and social focus areas. Additional KPIs and data are disclosed in our Sustainability Disclosure at hmggroup.com/sustainability.

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

3) We updated this KPI in 2022 to report the % of employees across brands and functions participating in our Layers training. We removed the separate figure for markets, since there is such a high degree of overlap with the data from brands.

4) Applicable legal standards include: the ILO core conventions; C87 Freedom of Association and Protection of the Right to Organize Convention, 1948; C98 Right to Organize and Collective Bargaining Convention, 1949. Where these standards have not yet been ratified, following Social & Labor Convergence Program verification guidelines, we referred to the national applicable legislation in force.

5) New KPI introduced in 2022.

6) Increasing the share of female supervisors and worker representatives is an ambition in the group’s Women’s Empowerment Strategy for the production supply chain. The baseline was established in 2020 and the aim is for yearly increases.

7) Includes in-kind giving SEK 50.3 million, cash contributions SEK 52.7 million, management overheads SEK 9.0 million, employee volunteering SEK 2.1 million.

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

— **Inclusion and diversity.** We are committed to creating inclusive, diverse and equitable workplaces in our operations and supply chains. Together with our brands, we promote diversity and equality

through products and communication, and advance inclusion in our communities.

— **Community engagement.** We partner with others to improve social and environmental impacts in local communities where we operate, and to advance the rights of wider communities of people.

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

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

Performance

The Fair & Equal KPI table (see page 99) features indicators selected to offer an overview of our performance. Here, we share additional details:

- We made our [Sustainability Commitment for Business Partners](#) more pertinent to different operational contexts and experiences by tailoring it to different functions and groups — such as manufacturing, construction and facility services, landlords, warehouse operations and transport. These updated versions are being rolled out across the Group.
- To go beyond local labour laws and harmonise our approach across the group, we reviewed and updated our Social Policies for our own operations — guided by international standards, such as the ILO core conventions.
- Despite unionisation rates decreasing worldwide, particularly in our sector, rates in our factories have remained stable. 42 percent of our tier 1 supplier factories have trade union representation and 34 percent have collective bargaining agreements in place (CBAs).
- We made more than 99% of our payments to suppliers on time. On average suppliers get paid in around 15 days after invoicing and delivery of goods. This is partly a result of a favourable factoring arrangement negotiated by H&M Group on behalf of our suppliers. We continued to itemise labour costs for our orders by dividing production costs into different costing blocks such as material, labour and product treatments, like printing or washing. This costing calculation improves the visibility of labour costs and allows improved wages to be reflected in the prices we pay to our suppliers.

More than 99% of our apparel orders are processed in this manner.¹

- This year, 89 percent of tier 1 production suppliers surveyed said they regard H&M Group as a fair business partner.
- We are shifting our activities from measuring the presence of workplace dialogue programmes and wage management systems (which does not in itself ensure positive impact) towards more holistic strategies focused on positive outcomes and impacts. Workers are aware of the processes in place for grievance handling in 98% of in-scope tier 1 supplier factories, and 95% of factories have grievance mechanisms created through social dialogue between unions or worker representative structures and management.²
- In response to last year's ACT (Action, Collaboration, Transformation)-facilitated self-assessment on purchasing practices, we implemented the first of five purchasing practices trainings for buying and planning functions across our brands. 498 colleagues in relevant roles,³ completed training module 1, which covers H&M Group's role and commitments as a member of ACT as well as our responsibilities in improving working conditions across our supply chain.
- We launched a new global inclusion and diversity (I&D) dashboard to track key indicators to help us identify relevant actions and set local targets to track our progress. Local initiatives may include training completion, gender pay assessments, talent acquisition processes, and increasing equitable representation within the workforce across gender, age and nationality. At the end of 2022, our total workforce was 75:25 female:male and our leadership was 75:25 female:male.⁴ Our workforce spans across several generations: Generation Z (1997-2015) accounts for 25.7 percent, Millennials (1981-1996) 61.2 percent, Generation

1) To enable differentiation of costing blocks, we rely on information by our suppliers. Previously, we have reported on the percentage of orders placed using a fact-based costing tool which has helped us to verify costs and separate labour costs. While this is one way of measuring, we have learnt that we need to explore additional methods to get the full picture. We will continue to work to further improve tracking of labour-cost ringfencing working together with relevant stakeholders.

2) Figures are based on FSLM data provided by factory management and are not verified by worker surveys.

3) Business-, brand- and product-developers, controllers, buyers, merchandising teams, capacity teams, business governance teams and our sustainability team.

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

X (1965-1980) 11.4 percent, and Baby Boomers (1946-1964) 1.7 percent. Our colleagues represent 174 nationalities, with leaders who manage people representing 96 nationalities.⁵

- We worked with suppliers to promote their ownership of gender equality objectives and strategies to help them define and implement their own approaches for greater female representation. We now score suppliers on three dimensions: ratio of women workers employed, ratio of women supervisors and gender pay gap.
- We reached more than 414,000 supply chain workers with activities and training on gender-based violence and sexual harassment (GBVH).
- We contributed SEK 114.2 million⁶ to community investment initiatives, reaching 745,517 beneficiaries.

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

ANTI-CORRUPTION & ANTI-BRIBERY

Risks & opportunities

The H&M Group company values guide us to act with respect, integrity, transparency and honesty. This is both the right thing to do and essential to our ongoing business success.

Corruption risks exist in many of the markets in which the company and its suppliers operate. We map corruption risk across our operations through annual risk assessments and audits, and identify the greatest risks based on location or type of operation. Through our risk assessment process, we first identify and document the risk before assessing it and deciding our response. We then put appropriate follow-up actions in place and set a timeframe for reviewing the risk. Violations of our Code of Ethics and concerns submitted via the H&M Group Speak Up channel are additional sources of risk identification. We supplement this analysis by using insights from additional metrics such as Transparency International's Corruption Perceptions Index and from global risk consultancies.

Tackling the risk of corruption benefits us by strengthening our business ethics and corporate culture, and enhancing our reputation with stakeholders. Find further details on our operational risks on pages 76-78.

Strategy & policies

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

- **Code of Ethics Policy.** Our Code of Ethics details the company's expectations of employees and business partners when conducting business for and on behalf of the group. The code includes details of our zero-tolerance policy on bribery and corruption, which applies to all business dealings in all countries in which the company and its partners operate. It is mandatory that all our business partners, and all employees in contact with them, comply with the Code of Ethics.
- **Training and awareness.** We provide training to employees and business partners on our Code of Ethics. Employees can access the company's Code of Ethics training, Speak Up channel and policies through our Ethics Portal.
- **Reporting concerns.** We encourage employees, business partners and any third parties to report concerns or potential violations of H&M Group's policies and/or relevant law through the company's Speak Up Channel (www.speakup.hmgroupp.com).⁷ We constantly raise awareness and encourage our colleagues and business partners to use the channel. Awareness programmes and workshops are held throughout the year. More materials for employees are available on the H&M Group Ethics Portal.
- **Due diligence.** We undertake corruption risk assessment as part of the due diligence process for all new business partners, with assessment of risk level by country, industry and position/function. We set short- and long-term goals to help mitigate any identified risks. H&M Group continues to explore use of third-party risk management tools that could automate our due diligence process for business partners and other third parties.

⁵) Does not include colleagues in Germany.

⁶) Includes in-kind giving SEK 50.3 million, cash contributions SEK 52.7 million, management overheads SEK 9.0 million, employee volunteering SEK 2.1 million.

⁷) Excludes Germany.

— **Follow-up procedures.** We assess and investigate all reported Code of Ethics cases internally, tracking the number of violations annually and reporting these annually to the CEO, CFO, board of directors and via our Annual and Sustainability Report. These investigations may lead to terminations of business relationships or employment. We conduct internal audits to ensure compliance. Code of Ethics Policy digital attestation and Code of Ethics e-learning are mandatory, and we track the status of completions.

For more details on our policies visit hmgroupp.com.

Performance

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

— Most investigated cases concerned breaches of the H&M Group Code of Ethics Policy, such as requesting personal favours, gifts and entertainment, taking product samples for personal use as well as conflicts of interest.

— To raise awareness of the Code of Ethics, with a focus on conflicts of interest, we conducted a series of ethics workshops.

— We introduced digital attestation of the Code of Ethics Policy Commitment Form and Code of Ethics e-learning completion for store managers and office employees. Some high-risk groups also completed a digital Code of Ethics Workshop.

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

— We held our first Global Ethics Week to help secure awareness of the company's Code of Ethics, our new Speak Up channel, and mandatory trainings. The entire company was invited to participate via a global announcement.

For all detailed sustainability content, see our Sustainability Disclosure at hmgroupp.com/sustainability.

KEY ANTI-CORRUPTION DATA

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

* Reviewed by the company's auditors through a limited assurance process.

¹ Cases can involve multiple employees and business partners. We have therefore changed our reporting method to focus on the total number of cases rather than specifying how many individuals or business partners were involved.

² Due to a change in system in 2021, an accurate figure for this year is not available.

TCFD climate risk analysis

Governance

Climate risk has been identified as one of the company’s most significant risks. All company risks are reviewed by the board at least once per year. The board monitors implementation of strategies within the sustainability area and initiates changes and updates where needed. These procedures and governance mechanisms enable the board to maintain close oversight of the company’s sustainability and climate-related performance, and to ensure sufficient management focus and resource allocation. Implementation of all company sustainability strategies, including our climate strategy, is the responsibility of the head of sustainability together with the executive management team. The head of sustainability reports directly to the CEO and provides biannual updates on our sustainability key performance indicators (KPIs) to the board of directors and quarterly KPI updates to the CEO and CFO. See also the Corporate Governance Report and read more about our risk management processes on pages 67 and 76-77.

Strategy

In 2019 we performed a risk analysis following the Task Force on Climate-Related Disclosure (TCFD) recommendations. This analysis has then been updated during 2021 and 2022. We focused predominantly on two scenarios:

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

In our scenarios, we analysed possible impacts in the short term (1-3 years), medium term (in around 10 years) and long term (in around 30 years).

The risk analysis was performed by mapping our value chain, before conducting several workshops to evaluate and rank risks in all parts of the value chain. The main areas analysed were raw material sourcing, production, logistics, sales, and customers (including more general transition risks such as taxes and legislation). Business opportunities related to climate change were also discussed and evaluated in the workshops. The results of the risk analysis are summarised in the following tables:

The rapid transition scenario

RCP2.6, mostly short- and medium-term risks

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

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
Transition to lower carbon footprint production and/or low emission technologies HIGH	Fossil fuels remain a significant source of energy in many H&M Group production countries. Climate-related legislation is expected to increase significantly. In response, H&M Group would gradually strengthen requirements for suppliers, as part of the company's ambition to reduce climate impact. The group provides financial support that assists suppliers in phasing out coal and other fossil fuels. The expected overall result is increased production costs. Investments would also be needed to develop more sustainable materials for use in our garments.	<ul style="list-style-type: none"> — Transparency and clear customer communication about sustainability will help to build trust and increase customer loyalty. — Together with its suppliers, H&M Group is making significant efforts to phase out coal and other fossil fuels in our supply chain. The total spend in 2022 on decarbonization, including e.g. energy efficiency investments in our stores, supporting our suppliers to phase out coal and increasing the share of more sustainable materials, was approximately SEK 2.6 billion.
Introduction of global or regional carbon taxes MEDIUM	Taxes on GHG emissions or import tolls on garments produced in one region (e.g. Asia) but exported to another (e.g. the European Union) may influence total production costs. This could be both a risk and an opportunity, depending on the ability of H&M Group to phase out fossil fuels in our supply chain.	<ul style="list-style-type: none"> — We have developed an internal tool – the Climate Roadmap tool – to help us better understand the most cost-effective paths towards reducing our climate impact. — We will collaborate with peers to amplify support for suppliers to phase out fossil fuels. — We have set targets to reduce GHG emissions throughout our value chain, reducing our vulnerability to possible carbon taxes. — Our sourcing strategy is flexible and we are constantly evaluating the direct and indirect costs of each region to allocate our production in the most efficient way.
Increased energy and water cost MEDIUM	As the world is moving away from coal to lower carbon energy sources, both renewable and fossil based, the demand for these energy sources will increase. Due to the different grid developments and availability of renewable energy sources in regions in which we have production, there is a risk of regional or local gaps between demand for energy and supply that could lead to increased prices. Similarly, a supply and demand gap or increased taxation on water might also increase prices in the regions where our suppliers are located. Both increases may impact production and operating costs and thus the prices of our products.	<ul style="list-style-type: none"> — We have set targets and have programs in place to increase energy efficiency throughout our value chain, in order to reduce the impact from increasing energy prices. For critical regions and suppliers we are also developing energy transition roadmaps. — We have adopted a new water strategy including targets to reduce water consumption at our suppliers, see page 14. — We are setting up power purchase agreements (PPAs) and other long-term price hedges, as well as direct and indirect investments into renewable energy sources to bolster supply where needed.

The accelerating temperature increase scenario RCP 8.5, mostly long-term risks

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

RISK RANKING	RISK DESCRIPTION	MITIGATION MEASURES
<p>Water scarcity or extreme weather events that influence production and logistics</p> <p>MEDIUM</p>	<p>Climate change will increasingly impact access to freshwater in certain regions, with consequences for where and how garments can be produced. Extreme weather events may also cause disruptions to production and distribution in some countries.</p>	<ul style="list-style-type: none"> — We have adopted a new water strategy including targets to reduce water consumption at our suppliers, see page 14. — For suppliers located in high-risk regions, contingency plans have been developed. These plans prepare the company to temporarily or permanently move production to alternative suppliers located in low-risk regions, if needed.

Overview of business opportunities

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

Impact on business strategy & financial planning

Climate-related risks have a major impact on H&M Group's business strategy. We have set science-based targets approved by the SBTi, aiming to reduce absolute scope 1, 2 & 3 GHG emissions 56% by 2030 and 90% by 2040 (from a 2019 baseline), and also achieve net-zero by 2040 (read more on p. 42).

We need to reduce our climate impact in line with what science demands. This is something that our customers expect from us, and we expect our strategy could attract more customers and positively impact our sales in the long term.

This is also a sound business decision, as we expect to see higher energy prices, strengthened climate legislation and increased introduction of climate-related taxes or tolls. Decarbonising our supply chain could therefore offer a competitive advantage to H&M Group. The following are examples of how our business is impacted:

- Scaling circular business models, such as resell, remake, care and repair solutions enabling customers to extend the use of products (read more on p. 31) can decouple our financial growth from resource use and climate impact.
- During 2021 H&M Group issued a sustainability-linked bond (with a value of EUR 500 M) enabling financing of sustainability-related initiatives throughout the value chain.
- Together with its suppliers, H&M Group is making significant efforts to phase out coal and other fossil fuels in our supply chain. The total spend 2022 on decarbonisation, including e.g. energy efficiency investments in our stores, supporting our suppliers to phase out coal and increasing the share of more sustainable materials, was approximately SEK 2.6 billion.
- Regular review of performance towards targets set by the board of directors and the executive management team, ensuring sufficient resource allocation and progress.
- Incentive programmes for key executives connected to business goals (including risk) and sustainability performance (including climate).

The resilience of our strategy

We are confident that our climate strategy alongside the measures described above offer a resilient business strategy. We have analysed the possible consequences in the following two scenarios:

— **The rapid transition scenario (RCP 2.6)**

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

— **The accelerating temperature increase scenario (RCP 8.5)**

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

TCFD disclosures index

		REFERENCE/LINK
Governance The organisation’s governance around climate-related risks and opportunities	The board’s oversight of climate-related risks and opportunities	Page 103
	Management’s role in assessing and managing climate-related risks and opportunities	Page 103
Strategy The actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning	The climate-related risks and opportunities that the organisation has identified over the short, medium and long term	Pages 103-105
	The impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning	Page 106
	The resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C scenario or lower	Page 106
Risk management The processes used by the organisation to identify, assess, and manage climate-related risks	The organisation’s processes for identifying and assessing climate-related risks	Page 103
	The organisation’s processes for managing climate-related risks	Page 42, 103 and in our Sustainability Disclosure
	How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management	Page 67, 76-77
Metrics and targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities	The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 92
	Scope 1, 2 and 3 GHG emissions and the related risks	Page 92 and in our Sustainability Disclosure
	The targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 42 and in our Sustainability Disclosure

Group income statement

SEK M 1 DECEMBER–30 NOVEMBER	2022	2021
Net sales, note 3, 4	223,553	198,967
Cost of goods sold, note 6, 7, 9	-110,276	-93,961
GROSS PROFIT	113,277	105,006
Selling expenses, note 6, 7, 9	-94,542	-80,535
Administrative expenses, note 6, 7, 9, 10	-11,566	-9,216
OPERATING PROFIT	7,169	15,255
Interest income and similar items	162	203
Interest expense and similar items	-1,115	-1,158
PROFIT AFTER FINANCIAL ITEMS	6,216	14,300
Tax, note 11	-2,650	-3,290
PROFIT FOR THE YEAR	3,566	11,010
All profit for the year is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.		
Earnings per share, SEK ¹	2.16	6.65
Average number of shares outstanding, thousands ¹	1,649,847	1,655,072

1) Before and after dilution, excluding own shares.

Consolidated statement of comprehensive income

SEK M 1 DECEMBER–30 NOVEMBER	2022	2021
PROFIT FOR THE YEAR	3,566	11,010
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss</i>		
Translation differences	3,902	1,430
Change in hedging reserves, note 21	-478	-101
Tax attributable to change in hedging reserves	87	26
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of defined benefit pension plans, note 20	55	187
Tax related to the above remeasurement	-9	-43
Remeasurement of financial assets, note 21	2,697	3,644
OTHER COMPREHENSIVE INCOME	860	5,143
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,426	16,153

All comprehensive income is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

COMMENTS ON THE GROUP INCOME STATEMENT

Although 2022 was a turbulent year characterised by negative external factors such as geopolitical challenges and substantial cost inflation, net sales for the full 2021/2022 financial year increased by 12 percent to SEK 223,553 m (198,967). In local currencies, sales increased by 6 percent. The decision to wind down the business in Russia, which was an important and profitable market, had a significant negative impact on the results. A one-time cost of around SEK 1.8 billion has been charged to earnings for the financial year in respect of the wind-down. The hikes in raw materials and freight costs combined with a historically strong US dollar resulted in extensive cost increases for purchases of goods. Gross profit increased to SEK 113,277 m (105,006). This corresponds to a gross margin of 50.7 percent (52.8).

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

A cost and efficiency programme was initiated to further streamline the business. From the second half

of 2023 onwards this is expected to result in annual savings of around SEK 2 billion. The results were however impacted by a one-time cost of SEK 836 m.

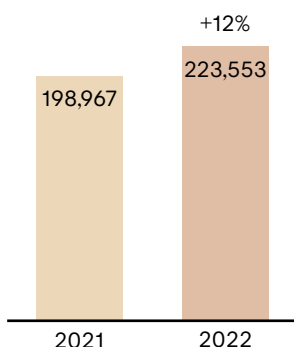
Selling and administrative expenses increased by 18 percent to SEK 106,108 m (89,751). In local currencies, expenses increased by 12 percent.

Operating profit was SEK 7,169 m (15,255), corresponding to an operating margin of 3.2 percent (7.7). Adjusted for the one-time costs of winding down the Russian operations and the cost and efficiency programme, operating profit for the full year was SEK 9,760 m and the operating margin was 4.4 percent.

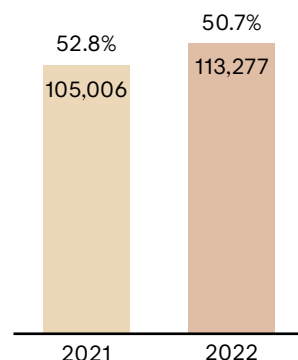
TAX

The H&M group’s tax rate for the 2021/2022 financial year was 42.6 percent (23.0). Among other things the final tax rate depends on the results of the group’s various companies, the corporate tax rates in each country, non-deductible costs and tax expense relating to previous years. The relatively high tax rate for the year is due mainly to significantly lower profit after financial items compared with the previous year – a decrease that is partly attributable to Russia – in relation to non-deductible costs and tax expense relating to previous years.

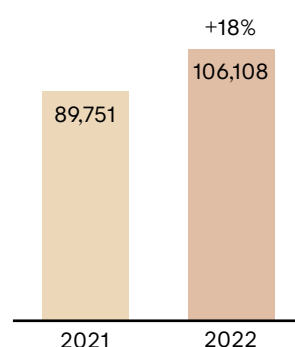
Net sales
SEK M



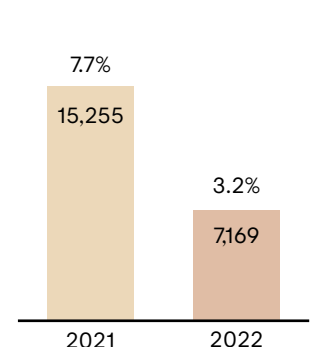
Gross profit and gross margin %
SEK M



Selling and administrative expenses
SEK M



Operating profit and operating margin %
SEK M



Group balance sheet

SEK M 30 NOVEMBER	2022	2021	SEK M 30 NOVEMBER	2022	2021
ASSETS			EQUITY AND LIABILITIES		
NON-CURRENT ASSETS			EQUITY		
Intangible non-current assets			Share capital, note 19	207	207
Leasehold and similar rights, note 12	161	224	Reserves	5,856	2,345
Capitalised development expenditure, note 12	8,931	9,268	Retained earnings	44,694	57,466
Goodwill, note 12	64	64	TOTAL EQUITY	50,757	60,018
	9,156	9,556	LIABILITIES		
Property, plant and equipment			Long-term liabilities		
Buildings and land, note 13	697	724	Provisions for pensions, note 20	333	428
Equipment, tools, fixture and fittings, note 13	23,734	25,852	Other provisions, note 22	242	–
Right-of-use assets, note 15	58,305	53,086	Deferred tax liabilities, note 11	3,273	3,601
	82,736	79,662	Liabilities to credit institutions, note 24	9,643	9,178
Non-current financial assets			Other long-term liabilities	183	180
Interests in associates, note 14	503	686	Other interest-bearing liabilities, note 15, 24	49,282	45,379
Other shares and interests, note 21	2,654	4,405		62,956	58,766
	3,157	5,091	Current liabilities		
Other non-current assets			Accounts payable	21,090	20,382
Long-term receivables	939	860	Tax liabilities, note 11	1,843	1,441
Deferred tax assets, note 11	6,537	5,626	Liabilities to credit institutions, note 24	1,135	436
	7,476	6,486	Other provisions, note 22	594	–
TOTAL NON-CURRENT ASSETS	102,525	100,795	Other interest-bearing liabilities, note 15, 24	12,575	11,698
CURRENT ASSETS			Other liabilities	6,048	5,149
Stock-in-trade, note 16	42,495	37,306	Accrued expenses and deferred income, note 4, 22	25,050	21,891
Current receivables				68,335	60,997
Accounts receivable, note 21	3,014	3,059	TOTAL LIABILITIES	131,291	119,763
Tax assets, note 11	3,212	2,834	TOTAL EQUITY AND LIABILITIES	182,048	179,781
Other receivables	4,601	3,509			
Prepaid expenses, note 17	4,494	4,807			
	15,321	14,209			
Cash and cash equivalents, note 18	21,707	27,471			
TOTAL CURRENT ASSETS	79,523	78,986			
TOTAL ASSETS	182,048	179,781			

COMMENTS ON THE GROUP BALANCE SHEET

The H&M group is in a strong financial position. The group’s equity/assets ratio was 27.9 percent (33.4). The share of risk-bearing capital was 29.7 percent (35.4). Equity apportioned on the outstanding 1,629,687 (1,655,072) thousand shares as of 30 November 2022 was SEK 31.15 (36.26).

Stock-in-trade

Currency adjusted the stock-in-trade decreased by 3 percent compared with last year. Converted into SEK the stock-in-trade amounted to SEK 42,495 m (37,306). The book value of stock-in-trade in SEK represented 19.0 percent (18.7) of sales.

Financing

As of 30 November 2022 the group had interest-bearing liabilities, excluding lease liabilities and provisions for pensions, of SEK 10,778 m (9,614) in the form of commercial paper, bonds and loans from credit institutions. In addition, the group has undrawn credit facilities of SEK 17,469 m (15,178). The average maturity of interest-bearing liabilities and undrawn credit facilities was 4.3 (5.6) years. A maturity analysis of outstanding interest-bearing liabilities and undrawn credit facilities is given in the table in note 2.

The H&M group’s liquidity is very good. As of 30 November 2022, cash and cash equivalents amounted to SEK 21,707 m (27,471). Together, cash and cash equivalents and undrawn credit facilities totalled SEK 39,176 m (42,649).

Financial net cash amounted to SEK 10,929 m (17,857). Net debt including provisions for pensions and excluding IFRS 16 amounted to SEK -10,596 m (-17,428).

Working capital from operating activities amounted to SEK 24,419 m (19,983).

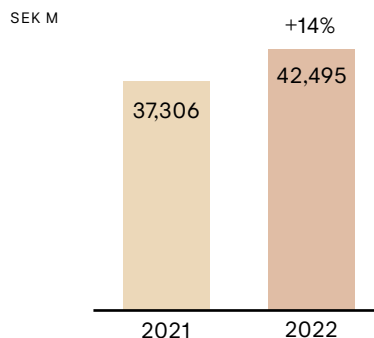
The group aims to secure financial flexibility and freedom of action on the best possible terms.

To improve the maturity structure of the group’s undrawn revolving credit facilities the following financing activities took place:

- The EUR 700 m credit facility opened in 2017 that expires in 2023 was closed.
- Two credit facilities of in total SEK 8,000 m that were opened in 2020 with expiration in 2023 were closed.
- A five-year sustainability-linked EUR 1,300 m credit facility was opened, with two options to extend for a year at a time.
- A three-year sustainability-linked EUR 300 m credit facility was opened, with two options to extend for a year at a time.

The H&M group advocates a conservative leverage ratio, aiming for a strong capital structure with good liquidity and financial flexibility. It is essential that, as in the past, expansion and investments can proceed with continued freedom of action. The capital structure is defined as net debt in relation to EBITDA. It should not exceed 1.0 x EBITDA over time. Net debt/EBITDA excluding IFRS 16 effects was -0.6 (-0.7) as of 30 November 2022.

Stock-in-trade



Group changes in equity

All shareholders' equity is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

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

SEK M	SHARE CAPITAL	TRANSLATION DIFFERENCES	HEDGING RESERVES	RETAINED EARNINGS	TOTAL EQUITY
SHAREHOLDERS' EQUITY 1 DECEMBER 2020	207	725	265	53,426	54,623
Profit for the year	–	–	–	11,010	11,010
Other comprehensive income					
Translation differences	–	1,430	–	–	1,430
Change in hedging reserves	–	–	-101	–	-101
Tax related to hedging reserves	–	–	26	–	26
Remeasurement of defined benefit pension plans	–	–	–	187	187
Tax related to the above remeasurement	–	–	–	-43	-43
Remeasurement of financial assets	–	–	–	3,644	3,644
Other comprehensive income	–	1,430	-75	3,788	5,143
Comprehensive income	–	1,430	-75	14,798	16,153
Dividend	–	–	–	-10,758	-10,758
SHAREHOLDERS' EQUITY 30 NOVEMBER 2021	207	2,155	190	57,466	60,018

Group cash flow statement

SEK M 1 DECEMBER - 30 NOVEMBER	2022	2021
Operating activities		
Profit after financial items ¹	6,216	14,300
<i>Adjustment for non-cash items</i>		
- Provisions for pensions, note 20	-68	-13
- Other provisions, note 22	836	-
- Depreciation and amortisation / write-downs, note 9	22,579	22,320
Taxes paid, note 11	-3,499	-4,974
Cash flow from operating activities before changes in working capital	26,064	31,633
Changes in working capital		
Operating receivables	-452	-736
Stock-in-trade, note 16	-3,734	1,263
Operating liabilities	2,598	12,459
CASH FLOW FROM OPERATING ACTIVITIES	24,476	44,619
Investing activities		
Investments in leasehold and similar rights, note 12	-27	-178
Investments in other intangible assets, note 12	-1,457	-559
Investments in buildings and land, note 13	-	0
Investments in equipment, note 13	-4,527	-2,727
Other investments, note 21	-802	-614
CASH FLOW FROM INVESTING ACTIVITIES	-6,813	-4,078
Financing activities		
Short-term loans	680	-7,671
New long-term borrowing, note 24	-	5,127
Repayment of long-term loans, note 24	-	-4,604
Amortisation leases, note 15	-12,139	-12,279
Dividend	-10,687	-10,758
Repurchase of shares, note 19	-3,000	-
CASH FLOW FROM FINANCING ACTIVITIES, NOTE 24	-25,146	-30,185
CASH FLOW FOR THE YEAR	-7,483	10,357
Cash and cash equivalents at beginning of financial year	27,471	16,540
Cash flow for the year	-7,483	10,356
Exchange rate effect	1,719	574
Cash and cash equivalents at year-end, note 18	21,707	27,471

1) Interest paid for the group amounts to SEK 243 m (380). Interest expense related to leases amounts to SEK 872 m (779) for the group. Received interest for the group amounts to SEK 162 m (203).

Parent company income statement

SEK M 1 DECEMBER-30 NOVEMBER	2022	2021
Net sales, note 5	4,024	3,981
GROSS PROFIT	4,024	3,981
Administrative expenses, note 6, 7, 9, 10	-97	-46
OPERATING PROFIT	3,927	3,935
Revenue from interests in group companies	9,032	8,376
Interest income and similar items, note 29	28	38
Interest expense and similar items, note 29	-123	-242
PROFIT AFTER FINANCIAL ITEMS	12,864	12,107
Year-end appropriations, note 25	-3,139	-4
Tax, note 11	-149	-825
PROFIT FOR THE YEAR	9,576	11,278

Parent company statement of comprehensive income

SEK M 1 DECEMBER-30 NOVEMBER	2022	2021
PROFIT FOR THE YEAR	9,576	11,278
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of defined benefit pension plans, note 20	20	7
Tax related to the above remeasurement	-4	-1
OTHER COMPREHENSIVE INCOME	16	6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9,592	11,284

Parent company balance sheet

SEK M 30 NOVEMBER	2022	2021	SEK M 30 NOVEMBER	2022	2021
ASSETS			EQUITY AND LIABILITIES		
NON-CURRENT ASSETS			EQUITY		
Property, plant and equipment			Restricted equity		
Buildings and land, note 13	120	125	Share capital, note 19	207	207
Equipment, tools, fixture and fittings, note 13	36	48	Restricted reserves	88	88
	156	173		295	295
Non-current financial assets			Non-restricted equity		
Shares and interests, note 26	819	819	Retained earnings	6,417	8,820
Receivables from subsidiaries	78	78	Profit for the year	9,592	11,284
Other non-current receivables	104	116		16,009	20,104
Deferred tax assets, note 11	71	86			
	1,072	1,099	TOTAL EQUITY	16,304	20,399
TOTAL NON-CURRENT ASSETS	1,228	1,272	UNTAXED RESERVES, NOTE 27	21	32
CURRENT ASSETS			LIABILITIES		
Current receivables			Long-term liabilities		
Accounts receivable	9	8	Provisions for pensions, note 20	116	144
Receivables from subsidiaries	25,592	29,598	Liabilities to credit institutions, note 24	9,233	9,233
Other receivables	43	17		9,349	9,377
Prepaid expenses, note 17	451	90	Current liabilities		
	26,095	29,713	Accounts payable	4	4
Cash and bank balances, note 18	2	-	Tax liabilities	345	519
TOTAL CURRENT ASSETS	26,097	29,713	Liabilities to credit institutions, note 24	950	275
TOTAL ASSETS	27,325	30,985	Other liabilities	176	188
			Accrued expenses and deferred income, note 22	176	191
				1,651	1,177
			TOTAL LIABILITIES	11,000	10,554
			TOTAL EQUITY AND LIABILITIES	27,325	30,985

Parent company changes in equity

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

SEK M	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL EQUITY
SHAREHOLDERS' EQUITY 1 DECEMBER 2020	207	88	19,578	19,873
Profit for the year	–	–	11,278	11,278
Other comprehensive income				
Remeasurement of defined benefit pension plans	–	–	7	7
Tax related to the above remeasurement	–	–	-1	-1
Other comprehensive income	–	–	6	6
Comprehensive income	–	–	11,284	11,284
Dividend	–	–	-10,758	-10,758
SHAREHOLDERS' EQUITY 30 NOVEMBER 2021	207	88	20,104	20,399

Parent company cash flow statement

SEK M 1 DECEMBER - 30 NOVEMBER	2022	2021
Operating activities		
Profit after financial items ¹	12,864	12,107
<i>Adjustment for non-cash items</i>		
- Provisions for pensions, note 20	-8	-18
- Depreciation and amortisation / write-downs, note 9	20	23
Taxes paid, note 11	-312	-289
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	12,564	11,823
Changes in working capital		
Operating receivables	3,619	5,504
Operating liabilities	-3,177	-101
CASH FLOW FROM OPERATING ACTIVITIES	13,006	17,226
Investing activities		
Investments in equipment	-4	-7
Investments in group companies	-	0
Other investments	12	-3
CASH FLOW FROM INVESTING ACTIVITIES	8	-10
Financing activities		
Short-term loans, note 24	675	-7,223
New long-term borrowing, note 24	-	5,165
Repayment of long-term loans, note 24	-	-4,400
Dividend	-10,687	-10,758
Repurchase of shares, note 19	-3,000	-
CASH FLOW FROM FINANCING ACTIVITIES	-13,012	-17,216
CASH FLOW FOR THE YEAR	2	0
Cash and cash equivalents at beginning of the financial year	0	-
Cash flow for the year	2	0
Cash and cash equivalents at year-end, note 18	2	0

1) Interest paid for the parent company amounts to SEK 123 m (242). Received interest for the parent company amounts to SEK 7 m (10), note 28.

Notes to the financial statements

CORPORATE INFORMATION

The parent company H & M Hennes & Mauritz AB (publ) is a limited company domiciled in Stockholm, Sweden. The parent company's corporate identity number is 556042-7220. The company's shares are listed on the Stockholm stock exchange, Nasdaq Stockholm. The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. The company's financial year runs from 1 December to 30 November. The annual report was approved for publication by the board of directors on 23 March 2023 and will be submitted to the annual general meeting for approval on 4 May 2023.

Ramsbury Invest AB's holding of shares in H & M Hennes & Mauritz AB represents 51.2 percent of all shares and 76.3 percent of the total voting power. Ramsbury Invest AB (556423-5769) is thus formally the parent company of H & M Hennes & Mauritz AB.

1. ACCOUNTING PRINCIPLES

Basis for preparation of the accounts

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

The financial statements are based on historical cost, apart from certain financial instruments which are reported at fair value.

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). Where relevant, accounting principles are described within 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 will apply the exception in RFR 2 in respect of IFRS 16, which means that the principles of IFRS 16 will not be applied in the legal entity. Due to the link between reporting and taxation, year-end appropriations and untaxed reserves are reported in the parent company's financial statements.

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

Changes in accounting principles and disclosure requirements

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual report and consolidated financial statements for 2021 and which are described in note 1, Accounting principles.

Future accounting principles and disclosure requirements

The amendments in accounting standard IAS 12 Income Taxes regarding Deferred Tax related to Assets and Liabilities arising from a Single Transaction will apply from 1 January 2023, affecting the H&M

group's financial statements from 2024, and will entail that deferred tax will be calculated on right-of-use assets and liabilities attributable to leases.

Other new or amended accounting standards that have been published but not yet entered into force are not expected to have any material impact on the financial statements.

No new or amended accounting standards that are not yet mandatory have been early adopted by the H&M group.

Climate change

The potential impact of climate change has been considered in preparing the financial statements, particularly in the context of the risks in the Task Force on Climate-related Financial Disclosures (TCFD) climate risk analysis (page 103-107).

The following areas have been considered:

Changes in customer attitudes and purchasing patterns

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

Introduction of global or regional climate legislation

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

H&M Group has made efforts to help phase out fossil fuels in the supply chain. These efforts have resulted in increased cost of goods sold as a result of choosing more sustainable materials as well as long-term loans to suppliers, prepaid expenses, selling expenses, and administrative expenses for 2022.

Increase in raw material, energy, and water costs

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

Natural disasters

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

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

For 2022, climate change has not been assessed to have a significant impact on the financial statements nor on the estimates and assumptions made when preparing the annual report and consolidated accounts.

Government assistance in connection with the Covid-19 situation

In relation to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – due to the extraordinary situation brought about by the pandemic the H&M group received government assistance in certain markets, mainly in respect of rents and staffing. The H&M group has chosen to report these grants as a reduction in the

Cont. Note 1 Accounting principles

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 any conditions for receiving the grants are fulfilled.

Estimates, assumptions and assessments

The preparation of the annual report and consolidated accounts requires estimates and assumptions to be made, as well as judgments in the application of the accounting principles. These affect carrying amounts for assets, liabilities, income, expenses and supplementary information. 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 borrowing included in the calculations of the right-of-use assets and interest-bearing liabilities attributable to leases, and the measurement of current and deferred tax; see notes 11, 12, 13, 15 and 16.

The carrying amount of property, plant and equipment including right-of-use assets is tested for impairment when there is an indication of possible 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 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. Previous years, each store has generally been considered to represent a cash-generating unit for impairment testing purposes. The reasons for the change in the approach to determining a cash-generating unit is 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. For further information on impairment, see note 13 and 15.

It is judged that, as of 30 November 2022, there are no estimates or assumptions in the financial statements that involve a significant risk of any material adjustment to the reported values of assets and liabilities in the forthcoming financial year, other than those mentioned above.

Consolidated accounts*Basis of consolidation*

The consolidated accounts cover the parent company and its subsidiaries and have been prepared according to the acquisition method. 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. Intra-group income, expenses, receivables and liabilities, as well as unrealised gains and losses, are eliminated entirely in the preparation of the consolidated accounts. 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 otherwise, are consolidated as subsidiaries. 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.

Associates

All companies in which the group has a significant but not a controlling interest – generally companies where the group holds 20 to 50 percent of the votes – are regarded as associates and reported according to the equity method.

Business combinations

In business combinations the assets acquired and liabilities assumed are identified and classified, and these are then measured at fair value on the acquisition date. If the acquisition cost of the subsidiary's shares exceeds the calculated value of the net identifiable assets of the acquired company at the time of acquisition, the difference is reported as goodwill upon consolidation. If the acquisition cost is less than the finally established value of the net identifiable assets, the difference is reported directly in the income statement. Non-controlling interests are determined for each transaction either as a proportionate share of the fair value of net identifiable assets or at fair value. Transaction costs associated with acquisitions are not included in the acquisition cost; instead, these are expensed immediately.

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.

Other provisions

Provisions are reported in the balance sheet when there is an obligation as a result of an event that has occurred, and it is likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A restructuring provision is recognized when a formal restructuring plan has been prepared and the restructuring has either begun or been announced.

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 group's financing and management of financial risk is carried out centrally within the group's finance department in accordance with a financial policy established by the board of directors. The financial policy establishes the framework, guidelines, mandate, and responsibilities for monitoring, reporting, and managing financial matters. The group treasurer shall report the group's liquidity, funding need, and financial risks to the CFO on a monthly basis. The group's accounting principles for financial instruments, including derivatives, are described in note 21.

In the course of doing business the 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 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 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 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 21,707 m (27,471). As of the closing date, loans and leases amounted to SEK 72,635 m (66,691). 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 222 m (176) and would increase interest expense for external borrowing and finance leases by SEK 544 m (450). A corresponding decrease in the interest rate would reduce interest income by the same amount and would decrease interest expense related to liabilities to credit institutions and for leases.

The group's exposure to the reform of interbank offered rates (IBOR) is limited. As of 30 November 2022 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 other than the company's reporting currency. Translation exposure arises when subsidiaries' results, assets, liabilities, and equity are translated into SEK, the group's reporting currency.

Currency exposure associated with financial instruments

The H&M group's currency risk associated with financial instruments is mainly related to financial investments, accounts payable and derivatives. The group's accounts payable in foreign currencies are mainly handled in Sweden and are largely hedged through forward contracts. Based on this, a 10 percent change in the value of the Swedish krona in relation to other currencies would have an insignificant momentary effect on profit related to financial instrument holdings as of the closing date. A 10 percent strengthening of the Swedish krona would have a positive effect on the hedging reserve in equity of around SEK 542 m (849) before taking into account the tax effect, of which SEK 1,207 m (1,590) relates to EUR and SEK -1,892 m (-2,254) to USD. The group's exposure to outstanding derivative instruments is reported in note 21.

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 143 m (-120).

Transaction exposure associated with commercial flows

Payment flows in the form of payments in foreign currencies for accounts receivable and payable expose the group to currency risk. To manage currency risk relating to changes in exchange rates, the group hedges its currency risk within the framework of the financial policy. Currency risk exposure is managed at a central level. A large share of the group's sales are made in euros, while the group's most significant purchase currencies are the US dollar and the euro. Fluctuation in the US dollar/euro exchange rate is the single largest transaction exposure within the group. 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 profit/loss in a market may be unchanged in the local currency, but when converted into SEK may increase if the Swedish krona has weakened or decrease if the Swedish krona has strengthened. Translation effects also affect the group's net assets on consolidation of the foreign subsidiaries' balance sheets (translation exposure in the balance sheet). Where the remeasurement of balance sheet items affects the group's income statement, such as in the case of intragroup liabilities and short-term intragroup receivables, these are to be fully hedged. Net investment in foreign currency may be hedged in full or in part through a liability in the same currency, known as an equity hedge. As of 30 November 2022 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

Cont. Note 2 Financial risks

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 derivatives. 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 2022 equals the book value for cash and cash equivalents of SEK 21,707 m (27,471), accounts receivable of SEK 3,014 m (3,059) and other SEK 4,777 m (7,373), totalling SEK 29,498 m (37,903). The group's own credit operations were phased out and are now managed through collaboration with an external party.

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

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

	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES
2021		
Gross amount	1,422	1,015
Effect of netting agreements	-790	-790
Net position	632	225

Liquidity risk and financing risk

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

The strategy for the H&M group's liquidity planning and financing is to maintain good payment capacity and to identify and cover liquidity needs arising in the group. Liquidity and financing risks are regulated in the H&M group's financial policy, which states that loans are to have an evenly distributed maturity structure and that cash and undrawn credit facilities are to cover the company's forecast short-term liquidity needs.

Short-term liabilities in the form of accounts payables, liabilities to credit institutions and other liabilities amount to SEK 28,273 m (25,967) as of 30 November 2022. Cash and cash equivalents and short-term investments were SEK 21,707 m (27,471). Cash and cash equivalents, short-term investments and undrawn credit facilities totaled SEK 39,176 m (42,649).

As of 30 November 2022 the group had interest-bearing liabilities of SEK 10,778 m (9,614) in the form of loans from credit institutions and commercial papers. In addition, the group has undrawn credit facilities of SEK 17,469 m (15,178). The average maturity of interest-bearing liabilities and undrawn credit facilities was 4.3 (5.6) years. A maturity analysis for outstanding interest-bearing liabilities and undrawn credit facilities is given below.

YEAR	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS	UNDRAWN CREDIT FACILITIES
2022	350	-	-	-
2023	600	-	2,369	-
2024	-	-	-	-
2025	-	-	-	3,275
2026	-	-	2,000	-
2027	-	-	-	14,194
2028	-	-	-	-
2029	-	5,459	-	-
Total SEK m	950	5,459	4,369	17,469

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 H&M Group 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 fulfill the requirements for these transactions to be recognised as trade payables.

3. SEGMENT REPORTING

The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. Internal follow-up 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. The various countries sell similar products via similar sales channels to similar customers, however. 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 segment reporting in accordance with IFRS 8. The H&M group has combined countries to form the segments Asia & Oceania, Europe & Africa, and North & 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.

	2022	2021
Asia and Oceania		
External net sales	29,385	26,304
Operating profit	689	427
Operating margin, %	2.3	1.6
Assets excluding tax assets and internal receivables	13,269	11,579
Liabilities excluding tax liabilities and internal liabilities	3,354	2,789
Investments	385	280
Depreciation, amortisation and write-downs	1,393	1,467

Cont. Note 3 Segment reporting

	2022	2021
Europe and Africa¹		
External net sales	143,180	132,434
Operating profit	353	2,884
Operating margin, %	0.2	2.2
Assets excluding tax assets and internal receivables	31,391	29,221
Liabilities excluding tax liabilities and internal liabilities	16,725	15,355
Investments	2,351	1,556
Depreciation, amortisation and write-downs	4,216	3,868
North and South America		
External net sales	50,988	40,229
Operating profit	1,247	886
Operating margin, %	2.4	2.2
Assets excluding tax assets and internal receivables	17,552	16,494
Liabilities excluding tax liabilities and internal liabilities	8,887	8,491
Investments	1,185	625
Depreciation, amortisation and write-downs	2,542	2,671
Group Functions		
Net sales to other segments	68,241	54,775
Operating profit	4,880	11,078
Operating margin, %	7.2	20.2
Assets excluding tax assets and internal receivables	110,087	114,027
Liabilities excluding tax liabilities and internal liabilities	97,209	88,086
Investments	2,090	1,003
Depreciation, amortisation and write-downs	14,428	14,314
Eliminations		
Net sales to other segments	-68,241	-54,775
Total		
External net sales	223,553	198,967
Operating profit	7,169	15,255
Operating margin, %	3.2	7.7
Net financial items	-953	-955
Profit after financial items	6,216	14,300
Assets excluding tax assets and internal receivables	172,299	171,321
Liabilities excluding tax liabilities and internal liabilities	126,175	114,721
Investments	6,011	3,464
Depreciation, amortisation and write-downs	22,579	22,320

1) South Africa

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. All effects of IFRS 16 are included under Group Functions. Impairment of non-current assets totalling SEK 218 m, as a result of impairment testing, is allocated to segments as follows: Asia and Oceania SEK 48 m, Europe and Africa SEK 92 m, and North and South America SEK 78 m. For further information see note 13.

The group's property, plant and equipment amounted to SEK 82,736 m (79,662) as of 30 November 2022. The property, plant and equipment are largely distributed between the countries in accordance with each country's level of sales. In Sweden property, plant and equipment amounted to SEK 4,101 m (3,969), in the UK to SEK 6,856 m (8,112), in the US to SEK 17,897 m (17,286) and in France to SEK 2,724 m (2,473) as of 30 November 2022.

4. NET SALES

The group's income is generated mainly by the sale of clothing, accessories, footwear, cosmetics, home textiles and homeware to consumers. The customers are mainly 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.

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

Cont. Note 4 Net Sales

original expected duration of one year or less. The liability is based on fair value calculated per outstanding point.

SEK M	2022	2021
30 NOVEMBER		
Contract liabilities ¹	1,110	1,156

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

1) Of which 1,110 as Accrued expenses and deferred income (1,325 as Accrued expenses and deferred income and -169 as Other current liabilities).

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

	2022	NUMBER OF STORES 30 NOV 2022	2021	NUMBER OF STORES 30 NOV 2021
US	33,406	520	27,614	548
Germany	31,634	430	28,001	441
UK	16,338	246	13,901	265
France	10,285	201	9,224	216
Sweden	8,286	137	8,292	148
Italy	7,080	164	6,244	169
Netherlands	6,185	114	5,676	121
Canada	6,172	97	4,932	98
Switzerland	6,146	90	5,345	93
Poland	5,993	188	5,105	190
Other	92,028	2,278	84,633	2,512
Total	223,553	4,465	198,967	4,801

5. REVENUE FROM GROUP COMPANIES

The parent company's internal sales consist of royalties of SEK 3,942 m (3,914) and other income of SEK 37 m (39) from group companies.

6. 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, producing and transporting the goods to distribution centres. 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 centres for stores, shipping costs to online customers, IT costs related to stores and sales, as well as central support functions related to sales. The item administrative expenses includes the costs of other central support functions, such as salaries, rents and IT costs for administrative systems.

For information on payroll see note 7, and for depreciation, amortisation and write-downs see note 9.

7. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

2022	BOARD, CEO, EXECUTIVE MANAGEMENT, SALARY	SALARY, OTHER EMPLOYEES	SOCIAL SEC. COSTS TOTAL	OF WHICH PENS. TOTAL	OF WHICH PENS. BOARD, CEO, EXECUTIVE MANAGEMENT
Sweden, parent company	29	-	-5	-13	4
Subsidiaries	73	33,202	7,686	817	24
Group total	102	33,202	7,681	804	28

2021	BOARD, CEO, EXECUTIVE MANAGEMENT, SALARY	SALARY, OTHER EMPLOYEES	SOCIAL SEC. COSTS TOTAL	OF WHICH PENS. TOTAL	OF WHICH PENS. BOARD, CEO, EXECUTIVE MANAGEMENT
Sweden, parent company	21	-	-46	-53	4
Subsidiaries	54	30,407	7,430	759	18
Group total	75	30,407	7,384	706	22

The negative social security and pension costs in the parent company are due to a correction by Fora relating to the years 2004-2008.

Board fees

Board fees paid for the year as approved by the 2021 annual general meeting (AGM) amounted to SEK 6,825,000 (6,825,000). Board fees were paid as follows:

Karl-Johan Persson, chair	SEK 1,700,000
Stina Bergfors	SEK 650,000
Anders Dahlvig	SEK 825,000
Lena Patriksson Keller	SEK 650,000
Christian Sievert	SEK 875,000
Erica Wiking Häger	SEK 825,000
Niklas Zennström	SEK 650,000
Danica Kragic Jensfelt	SEK 650,000

The fees were paid as resolved at the 2021 AGM. This means that the fees related to the period until the next AGM was held, i.e. the period 6 May 2021 to 4 May 2022. The amounts were paid out after the 2022 AGM.

As of the AGM on 4 May 2022 the board consists of eight ordinary members elected by the AGM. There are also three employee representatives, with three deputies for these positions. Eight members of the board are women and six are men. Six of the 14 are employed by the company.

Board member Lena Patriksson Keller is the majority shareholder in Patriksson Group AB, which had business dealings with H&M during the year. The transactions took place on market terms and remuneration for 2022 amounted to SEK 10.6 m (6.4). Outstanding balances as of 30 November 2022 totalled SEK 0.2 m (0.3). Erica Wiking Häger is a partner at the law firm Mannheimer Swartling, which had business dealings with H&M during the year. The transactions took place on market terms and remuneration for 2022 amounted to SEK 3.9 m (1.9). Outstanding balances as of 30 November 2022 totalled SEK 0.1 m (0.1).

Remuneration of senior executives

Remuneration of senior executives is based on guidelines adopted annually by the AGM; see the administration report on pages 80-83.

Cont. Note 7 Salaries, other remuneration and social security costs

Remuneration of the chief executive officer

Remuneration paid to the CEO during the 2022 financial year in the form of salary and benefits amounted to SEK 14.7 m (14.2). There was no variable remuneration in respect of the 2022 financial year, i.e. SEK 0.0 m (7.1). The variable remuneration in respect of the 2021 financial year of SEK 7.1 m was paid and expensed in the first quarter of 2022, as communicated in the 2021 annual report. 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 4.3 m (4.3). The retirement age for the CEO is 65.

The CEO is entitled to a 12-month period of notice. In the event that the company cancels the CEO's employment contract, the CEO will also receive severance pay of a year's salary. The CEO's terms of employment are determined by the board of directors.

Pension for a former CEO

A former CEO retired on 1 September 2009. The total pension commitments recognised as liabilities, based on the fact that for the first three years of retirement the person received a pension equivalent to 65 percent of fixed salary and thereafter receives a lifelong pension equivalent to 50 percent of the same salary, amount to SEK 97.5 m (125.6). The change in the year's pension commitments recognised as liabilities includes actuarial gains of SEK 22.0 m (3.2). Pension costs for the former CEO are included under "of which pensions to board, CEO, executive management".

Remuneration of the executive management team

In addition to the CEO, as of 30 November 2022 the executive management comprised 14 (14) individuals, five of whom are women. In addition to the CEO, the executive management team consists of the CFO, the person with responsibility for the H&M brand, the person with responsibility for Portfolio Brands, the person with responsibility for Business Ventures, the person with responsibility for Business Tech, the CTO and the heads of the following group functions: Growth, Strategy & Transformation, People & Organisational Development, Sustainability, Supply Chain, Communications, The Laboratory and the Group Strategy Counsel.

Remuneration paid to members of the executive management team, other than the CEO, during the 2022 financial year in the form of salary and benefits amounted to SEK 58.2 m (53.7). There was no variable remuneration in respect of the 2022 financial year, i.e. SEK 0.0 m (14.9). The variable remuneration in respect of the 2021 financial year of SEK 14.9 m was paid and expensed in the first quarter of 2022, as communicated in the 2021 annual report. Pension expenses relating to the executive management team during the year amounted to SEK 23.9 m (17.5). There are rules in place for members of the executive management team with respect to supplements to retirement pension beyond the ITP plan. The retirement age varies between 62 and 65. The cost of this commitment is partially covered by separate insurance policies.

H&M Incentive Program (HIP)

An extraordinary general meeting held on 20 October 2010 resolved to introduce an incentive programme for all employees of the H&M group.

The programme was initiated by Stefan Persson and family through the donation of 4,040,404 H&M shares worth around SEK 1 billion to a Swedish foundation, Stiftelsen H&M Incentive Program.

All employees of the H&M group, regardless of their position and salary level, are included in the programme according to the same basic principle – based on length of employment, either full-time or

part-time. The number of years that the employee has worked for the company previously is taken into account in the qualification period, which is five years unless local rules require otherwise. As a general rule, funds will begin to be paid out no earlier than the age of 62. However, it will also be possible for payments to be made after ten years of employment but no earlier than 2021.

The 2013 annual general meeting resolved to change the basis of future contributions to HIP. The contribution is no longer linked to the increase in dividend; instead, contributions to HIP are based on 10 percent of the increase in the company's profit after tax between two consecutive financial years. The increase in profit is calculated on profit after tax before any contribution to HIP. Thus when calculating the contribution to HIP for year 2, the year's profit after tax is compared with year 1's profit after tax before any contribution to HIP. This ensures that the two years are compared on a like-for-like basis; in other words, profit after tax before any contribution to HIP. The first contribution to HIP based on an increase in profit was made for the financial year which ended on 30 November 2013.

The contribution to HIP for a financial year is expensed in the year to which it relates. For example, if profit after tax in year 1 is 100 and profit after tax in year 2 is 130, then the contribution is 3 and will be expensed in year 2.

There is a ceiling that limits the size of the contribution when the increase in profit between two years may be deemed disproportionately large. The ceiling has been set at 2 percent of profit for the year after tax before any contribution to HIP.

The contributions to the foundation are to be invested in H&M Group shares. The H&M group has no other commitments beyond this.

In the consolidated accounts the costs of the incentive programme are recognised in accordance with the rules on short-term profit-sharing and bonus schemes set out in IAS 19. The expense is recognised when the amount has been established and an obligation exists. The amount is transferred to the foundation during the next financial year.

For 2022 a contribution of SEK 0 m (224) was made to the incentive programme, based on the principle for contributions to HIP adopted at the 2013 AGM and described above.

8. AVERAGE NUMBER OF EMPLOYEES

	2022 TOTAL	MALE %	2021 TOTAL	MALE %
Sweden	10,447	27	10,540	25
Norway	1,663	8	1,643	9
Denmark	1,436	8	1,508	9
UK	7,140	25	7,081	24
Switzerland	1,599	15	1,666	14
Germany	9,371	22	9,592	19
Netherlands	2,282	16	2,313	17
Belgium	2,073	28	2,192	27
Austria	1,774	12	1,819	10
Luxembourg	197	16	199	15
Finland	778	5	779	4
France	4,646	23	4,388	24
US	11,191	34	12,416	35

Cont. Note 8 Average number of employees

	2022 TOTAL	MALE %	2021 TOTAL	MALE %		2022 TOTAL	MALE %	2021 TOTAL	MALE %
Spain	3,947	20	4,046	23	Belarus ¹⁾	42	26	90	24
Poland	5,930	16	5,999	16	North Macedonia	27	11	–	–
Czech Republic	1,075	13	1,048	18	Ecuador	415	41	–	–
Portugal	604	15	644	15	Kosovo	36	31	–	–
Italy	3,551	26	3,482	24	Other countries	604	61	653	75
Canada	1,704	25	1,597	24	Total	106,522	25	107,375	26
Slovenia	163	5	141	6					
Ireland	388	16	375	17					
Hungary	888	14	853	14					
Slovakia	323	14	248	15					
Greece	973	17	813	16					
Mainland China	6,562	23	7,898	25					
Hong Kong SAR	526	36	684	36					
Japan	1,789	26	1,972	27					
Russia ¹⁾	3,861	23	4,791	24					
South Korea	1,041	25	583	21					
Türkiye	1,439	44	1,495	44					
Romania	998	17	998	19					
Croatia	283	8	281	9					
Singapore	301	33	371	33					
Bulgaria	298	20	308	22					
Latvia	106	16	122	13					
Malaysia	890	49	632	51					
Mexico	1,908	47	1,761	46					
Chile	2,070	42	1,708	43					
Lithuania	210	7	188	7					
Serbia	231	16	223	16					
Estonia	199	5	201	6					
Australia	1,527	27	1,049	11					
Philippines	712	50	499	47					
Taiwan Region	285	28	283	27					
Peru	682	47	631	46					
Macao SAR	10	40	36	39					
India	2,228	62	1,763	61					
South Africa	1,019	43	826	36					
Puerto Rico	62	39	56	38					
Cyprus	59	27	37	24					
New Zealand	216	28	224	29					
Kazakhstan	272	31	219	31					
Colombia	359	49	267	46					
Iceland	79	15	79	11					
Vietnam	378	43	383	45					
Georgia	96	10	100	11					
Ukraine	243	23	315	27					
Uruguay	276	31	241	28					
Bosnia-Herzegovina	40	8	26	12					

1) The business in Russia and Belarus has been wound down during the 2022 financial year.

9. DEPRECIATION, AMORTISATION AND WRITE-DOWNS

Depreciation and amortisation have been calculated at 12.5 percent of cost for equipment and leasehold rights, and 20 percent for computer equipment and vehicles. Capitalised development expenditure is amortised at 10-20 percent of cost.

Buildings are depreciated at 3 percent of cost. No depreciation is applied to land values. Depreciation and amortisation for the year are reported in the income statement in accordance with the table below.

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Cost of goods sold	1,709	1,617	–	–
Selling expenses	19,928	19,831	–	–
Administrative expenses	942	872	20	23
Total¹⁾	22,579	22,320	20	23

1) Of which write-downs and losses at disposals for the group of 1,494 (925) and 0 (0) for the parent company.

Depreciation relating to right-of-use assets is included above in the amount of SEK 12,105 m (11,988) for the group, which breaks down as follows: cost of goods sold SEK 810 m (881), selling expenses SEK 10,950 m (10,730) and administrative expenses SEK 345 m (377).

10. AUDIT FEES

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Deloitte				
Statutory audit	54.9	49.5	14.0	13.5
Auditing other than statutory audit	4.2	4.6	–	–
Tax consultancy	1.0	0.5	–	–
Other consultancy	2.4	2.3	–	–
Other auditors				
Statutory audit	2.7	13.8	–	–
Total	65.2	70.7	14.0	13.5

11. TAX

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 183 m (513). This assessment took account of aspects such as whether agreements on double taxation exist and whether there are differences between the tax rates in different countries.

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
<i>Tax expense (-)/tax receivable (+):</i>				
Current tax				
Tax expense for the period	-2,434	-3,295	-139	-831
Adjusted tax expense for previous years	-924	-81	0	0
Subtotal	-3,358	-3,376	-139	-831
Deferred tax receivable (+)/tax expense (-) in respect of:				
Stock-in-trade	-156	138	-	-
Loss carryforwards in subsidiaries	19	-924	-	-
Pension provisions	-30	-43	-10	6
Intangible non-current assets	173	193	-	-
Property, plant and equipment	804	728	-	-
Rent-related provisions	-282	-155	-	-

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Other temporary differences	300	43	-	-
Effect of changed tax rates	-120	106	-	-
Subtotal	708	86	-10	6
Total	-2,650	-3,290	-149	-825
Deferred tax recognised in other comprehensive income in respect of:				
Hedging reserves	87	26	-	-
Defined benefit pension plans	-9	-43	-4	-1
Total	78	-17	-4	-1
<i>Reconciliation between current tax rate and effective tax rate:</i>				
Expected tax expense according to the Swedish tax rate of 20.6% (21.4%)	-1,280	-3,060	-2,003	-2,590
Difference in foreign tax rates	-76	19	-	-
Non-deductible/non-taxable	-228	-193	-7	-27
Other	-22	-81	-	-
Tax for previous years	-924	-81	-	0
Tax-free dividend subsidiaries	-	-	1,861	1,792
Effect of changed tax rates	-120	106	-	-
Total	-2,650	-3,290	-149	-825
Recognised deferred tax assets relate to:				
Stock-in-trade	386	363	-	-
Loss carryforwards in subsidiaries	98	73	-	-
Pension provisions	88	112	71	86
Intangible non-current assets	173	182	-	-
Property, plant and equipment	1,450	1,185	-	-
Rent-related provisions	1,866	1,906	-	-
Hedging reserves	121	144	-	-
Other temporary differences	2,355	1,661	-	-
Total	6,537	5,626	71	86
Recognised deferred tax liabilities relate to:				
Stock-in-trade	331	172		
Pension provisions	38	-		
Intangible non-current assets	982	1,178		
Property, plant and equipment	1,355	1,853		
Rent-related provisions	26	112		
Hedging reserves	168	119		
Other temporary differences	373	167		
Total	3,273	3,601		

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.

12. INTANGIBLE ASSETS

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.

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. Intangible assets with an indefinite useful life, including goodwill, are tested for impairment annually or more often if there is an indication of a decline in value. If the carrying amount of the asset exceeds the recoverable amount (the higher of the net realisable value and the value in use), an impairment loss is applied for the necessary amount. Any impairment is recognised in profit/loss.

	GROUP	
	2022	2021
Leasehold and similar rights		
Opening cost	1,162	1,097
Acquisitions during the year	10	173
Sales/disposals	-196	-128
Translation effects	64	20
Closing cost	1,040	1,162
Opening amortisation and write-downs	-794	-789
Sales/disposals	194	124
Amortisation and write-downs for the year	-110	-117
Translation effects	-43	-12
Closing accumulated amortisation and write-downs	-753	-794
Closing book value	287	368
Opening value, projects in progress	5	4
Change for the year	13	1
Translation effects	0	0
Closing value, projects in progress	18	5
Closing book value incl. projects	305	373
Adjustment in respect of IFRS 16 ¹	-144	-149
Total closing book value	161	224

1) See note 15.

	GROUP	
	2022	2021
Capitalised development expenditure		
Opening cost	13,696	13,161
Acquisitions during the year	1,463	560
Write-downs	-155	-25
Closing cost	15,004	13,696
Opening amortisation and write-downs	-4,428	-2,984
Amortisation for the year	-1,665	-1,449
Write-downs	20	5
Closing accumulated amortisation and write-downs	-6,073	-4,428
Closing book value	8,931	9,268

Capitalised development expenditure refers mainly to IT-related investments. Amortisation has commenced for those parts that were taken into use during 2013–2022, corresponding to around 97 percent of the capitalised development expenditure. Those projects that are not yet ready for use are tested for impairment annually and no impairment has been identified. Systems that are no longer in use with an original cost of SEK 155 m (25) have been written off entirely.

	GROUP	
	2022	2021
Goodwill²		
Opening book value	64	64
Change for the year	–	–
Closing book value	64	64

2) Goodwill arose through the acquisition in 2008 of the company FaBric Scandinavien AB, which is a cash-generating unit. H&M acquired the remaining 40 percent of the shares in FaBric Scandinavien AB at the end of November 2010.

A goodwill impairment test was carried out at the end of 2022. Significant assumptions used when testing goodwill for impairment are sales development and gross margin. The impairment test is based on a calculation of value in use. The value in use has been calculated based on discounted cash flows according to forecasts for the next five years and with an annual growth rate of 2 percent (2) in subsequent years. A discount rate of 11.5 percent (11.5) before tax was used. The cash flows are based on the H&M group's business plan. The growth rate of 2 percent (2) is based on the H&M group's assessment of the opportunities and risks associated with the business. The discount rate is based on a weighted average cost of capital that is estimated to be on a par with the external requirements that the market imposes for similar companies. No impairment was identified and, in the H&M group's judgment, reasonably possible changes in the variables above would not have such a significant impact that the recoverable amount would be reduced to a lower amount than the carrying amount.

13. BUILDINGS, LAND AND EQUIPMENT

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. The carrying amount of property, plant and equipment is tested when there is an indication of possible impairment. Impairment of non-current assets as a result of impairment testing due to earnings performance amount to SEK 86 m for equipment, tools, fixture and fittings and SEK 132 m for right of use assets for 2022, excluding stores where a decision to close was taken prior to year-end, and is recognised mainly as selling expenses.

The majority of impairment losses recognised in previous years amounting to SEK 115 m was reversed in the period, mainly as selling expenses, as a result of improved earnings performance.

In addition, a sensitivity analysis has been performed on the result of the impairment indicator test considering a 20 percent reduction in earnings performance. The sensitivity analysis shows that no additional significant asset impairment is required.

For further information on impairment, see note 1.
For right-of-use assets relating to leases, see note 15.

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Buildings				
Opening cost	1,156	1,134	235	235
Acquisitions during the year	–	–	–	–
Sales/disposals	–	0	–	–
Translation effects	82	22	–	–
Closing cost	1,238	1,156	235	235
Opening depreciation and write-downs	-586	-539	-116	-110
Sales/disposals	–	–	–	–
Depreciation for the year	-34	-33	-5	-6
Translation effects	-46	-14	–	–
Closing accumulated depreciation and write-downs	-666	-586	-121	-116
Closing book value	572	570	114	119
Land				
Opening cost	154	150	7	7
Acquisitions during the year	–	–	–	–
Sales/disposals	-42	–	–	–
Translation effects	13	4	–	–
Closing cost	125	154	7	7

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Equipment				
Opening cost	66,288	69,449	125	169
Acquisitions during the year	3,912	2,389	–	8
Sales/disposals	-11,469	-8,060	-24	-52
Translation effects	6,488	2,510	–	–
Closing cost	65,219	66,288	101	125
Opening depreciation and write-downs	-41,248	-39,000	-95	-133
Sales/disposals	10,157	7,348	24	52
Write-downs for the year	-215 ¹	–	–	–
Depreciation for the year	-7,472	-7,923	-12	-14
Translation effects	-4,271	-1,673	–	–
Closing accumulated depreciation and write-downs	-43,048	-41,248	-83	-95
Closing book value	22,171	25,040	18	30
Opening value, projects in progress	812	445	–	1
Change for the year	659	354	4	-1
Translation effects	93	13	–	–
Closing value, projects in progress	1,564	812	4	–
Total closing book value	23,734	25,852	22	30

1) Including reclassification of SEK-244 m from short-term liabilities.

14. INTERESTS IN ASSOCIATES

	GROUP		SHARE OF RESULT, SEK M	
	2022	2021		
Opening balance	686	247		
New investments	114	489		
Reclassification to other shares and interests	-28	–		
Sales/disposals	–	–		
Write-downs	-176	–		
Dividends	–	–		
Share of result	-93	-50		
Closing balance	503	686		
2022	CORPORATE ID NUMBER	DOMICILE	SHARE %	
	Sellhelp AB ¹	Stockholm	79.8	-19
	TreeToTextile AB	Stockholm	28.9	-13
	Worn Again Technologies Ltd ²	UK	27.6	-8
	Thread Inc ³	US	23.5	-19
	CALA Inc ¹	US	82.4	-34

Cont. Note 14 interests in associates

2021					
Sellhelp AB ¹	556996-1260	Stockholm	74.7	-36	
TreeToTextile AB	556989-2648	Stockholm	28.0	-7	
Worn Again Technologies Ltd		UK	29.4	-7	
Thread Inc ⁴		US	23.5	0	
CALA Inc ¹⁵		US	82.4	0	

- 1) The H&M group's holdings in Sellhelp AB and CALA Inc do not constitute a controlling interest.
- 2) Reclassified to other shares and interests 23 September.
- 3) Written down 30 November.
- 4) Acquired 24 November.
- 5) Acquired 23 November.

15. LEASES

Background and scope

Under IFRS 16, a lease is an agreement that controls the right to use an identifiable asset during a given period against payment. The majority of the contracts that the H&M group classifies as leases in accordance with IFRS 16 are leases for store premises where the group runs its own operations. Contracts for offices and warehouses used by the group are also classified as leases. In accordance with IFRS 16 a lease liability and a right-of-use asset are calculated for the contracts included. The lease liability is measured initially at the present value of the future lease payments discounted using the interest rate implicit in the lease, and in subsequent periods by increasing the liability to reflect the effect of interest and reducing it to reflect the effect of lease payments made. The right-of-use asset is measured initially at the value of the lease liability and in subsequent periods at cost less depreciation and impairment. Right-of-use assets are depreciated over the estimated lease term. In accordance with the standard, the lease liability is calculated based on fixed lease payments. Variable lease payments, such as sales-based rent, are not included in the lease liability. Property tax is a variable expense and is therefore also excluded from the lease liability. The group has decided to apply the option to exclude leases of low value and leases with a term of less than 12 months. These will therefore not be included in the lease liability but instead will continue to be reported as rental costs, expensed on a straight-line basis over the term of the lease. The company has no sale and leaseback transactions. Some leases contain clauses concerning restoration of the premises; the effect of this is not material for the group.

The H&M group has around 4,500 stores as well as multiple offices and warehouses all around the world. Applying the standard has required estimates and assumptions, such as establishing the term of the lease and an interest rate for borrowing. The assumption that has the greatest effect on the size of the lease liability is the assessment of the lease term. Break and extension options are exercised on the expiry of the lease term, the lease may be terminated entirely, renegotiated or extended depending on the provisions in the contract. In certain circumstances, a right to terminate the contract during the lease term may reduce the lease term used for the calculation. The option to extend is considered if it is reasonably certain that the lessee will exercise this option. It is rare for a lease to be terminated before the lease term has expired. To facilitate assessment of the lease term used to calculate the lease obligation according to IFRS 16, the assumptions are based on the type of contract. The assumptions used to establish the lease term for each type of contract are based on the best possible assessment and on historical data, as well as the current market situation. Leasing period for stores is based on the store class and location. Flagship stores in strategic locations have a leasing period set to the contract's end date regardless of break rights. For all other

stores classes H&M Group uses the first break right regardless contract length. Other stores that are not flagship, have an average leasing period of ca 3,5 years. Leasing period for warehouses and offices is calculated based on the contract length. The group's assumptions are evaluated on an ongoing basis considering changes in the industry. The discount rate used for the calculation corresponds to the H&M group's incremental borrowing rate, considering aspects such as currency and length of the respective leases. The rate is updated annually and monitored continuously to update during the financial year if needed. Marginal discount rate reflects H&M Group's credit risk.

The group is reporting a cash outflow for leases of SEK 12,139 m (12,279) for the 2022 financial year.

For further information on impairment, see note 1 and 13.

Covid-19

The H&M group has chosen not to apply the amendment to IFRS 16 that allows relief for rent concessions attributable to Covid-19.

The amounts attributable to leasing activities that were recognised in the income statement during the year are presented below:

SEK M	GROUP	
	2022	2021
Depreciation of right-of-use assets	11,838	12,044
Write-down of right-of-use assets	307	-
Interest expense for lease liabilities	872	779
Expense for variable lease payments	6,938	5,605
Other miscellaneous lease related charges	3,273	2,078
Total expense attributable to leasing activities	23,228	20,507

Right-of-use assets and lease liability under IFRS 16

The group divides its leases into three classes of right-of-use asset: Stores, Warehouses and Offices. The table below presents the closing balances for right-of-use assets and lease liabilities along with changes during the year.

SEK M	RIGHT-OF-USE ASSETS				LEASE LIABILITY
	STORES	WARE-HOUSES	OFFICES	TOTAL	
Opening balance 1 Dec 2021	46,481	3,973	2,631	53,085	57,076
Gross increase during the period	11,223	906	726	12,855	12,558
Depreciation of right-of-use-assets	-10,399	-681	-758	-11,838	
Write-down of right-of-use assets	-307			-307	
Translation differences	4,067	334	109	4,510	4,895
Interest expense for lease liability					872
Lease payments					-13,545
Closing balance 30 Nov 2022	51,065	4,532	2,708	58,305	61,857

Cont. Note 15 Leases

SEK M	RIGHT-OF-USE ASSETS				LEASE LIABILITY
	STORES	WARE-HOUSES	OFFICES	TOTAL	
Opening balance 1 Dec 2020	52,541	3,645	3,349	59,534	63,733
Gross increase during the period	2,991	803	-40	3,754	4,319
Depreciation of right-of-use-assets	-10,666	-600	-778	-12,044	
Translation differences	1,616	125	100	1,841	2,033
Interest expense for lease liability					779
Lease payments					-13,788
Closing balance 30 Nov 2021	46,481	3,973	2,631	53,085	57,076

A maturity analysis of the group's lease liabilities included in IFRS 16 as of 30 November 2022 is presented below:

RENTAL COMMITMENTS SEK M	GROUP	
	2022	2021
In next 12 months	12,575	11,698
In next one to three years	17,349	15,308
In next three to five years	9,940	8,298
More than five years ahead	21,993	21,768
Total	61,857	57,072

16. STOCK-IN-TRADE

The stock-in-trade, which consists of merchandise, is valued at the lower of cost and net realisable value. Cost refers to the company's expenses for acquiring the goods including customs duties and shipping. The net realisable value is the estimated market value less calculated selling expenses. From the moment the goods are transferred from the supplier to the transport service provider appointed by the H&M group, the goods are owned according to civil law by the H&M group and become part of H&M Group's reported stock-in-trade. Goods that have not yet arrived at a store are valued at their actual purchase cost including the estimated cost of customs duties and shipping.

For the majority of the group's goods, cost is calculated as weighted average prices; for other stock accounting, the carrying amount is calculated as the selling price less the estimated gross margin (the retail method). The group is continuing to gradually move across to calculating cost as weighted average prices, but this change has no material impact on the consolidated financial statements.

Stock-in-trade amounted to SEK 42,495 m (37,306), a 13.9 percent increase in SEK compared with the same point in time last year. In local currencies there was a 3 percent decrease.

Significant write-downs are rare. 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. The group's asset for rights of return does not increase stock-in-trade by a material amount. There is deemed to be no material obsolescence in the stock-in-trade.

The stock-in-trade amounted to 23.3 percent (20.8) of total assets and 19.0 percent (18.7) of net sales.

17. PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Prepaid rent	2,890	2,884	-	-
Other items	1,604	1,923	186	90
Total	4,494	4,807	186	90

18. 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 loss allowance for expected credit losses as of the closing day does not amount to a significant amount and has therefore not been recognised.

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Cash and bank balances	19,661	24,836	2	-
Short-term investments, 0-3 months	2,046	2,635	-	-
Total	21,707	27,471	2	-

Investments are made on market terms and the interest rates are between 0 and 18.75 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

19. SHARE CAPITAL

The share capital is divided between 194,400,000 class A shares (10 votes per share) and 1,460,672,000 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 1,655,072,000.

A share buyback programme was initiated on 29 June 2022. During the period 29 June – 28 November 2022 a total of 25,385,163 own B shares were repurchased for SEK 3 billion. As at 30 November the total number of outstanding shares, excluding own shares, was 1,629,686,837. In the 2022 financial year a dividend of SEK 10,688 m was distributed.

The group's managed capital consists of shareholders' equity. The group's goal with respect to managing the capital is to enable good growth to continue and to be prepared to exploit business opportunities. The board of directors' intention is to continue to provide shareholders with a good direct return while ensuring that, as in the past, expansion 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.

20. PROVISIONS FOR PENSIONS

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 Germany, Spain, Sweden and Switzerland. 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 and anticipated salary and pension increases. Changes in the actuarial assumptions and outcomes that deviate from the assumptions give rise to actuarial gains or losses. The actuarial gains and losses arising are mainly due to the financial assumptions, such as changes

in the discount rate. Such gains or losses are recognised in other comprehensive income in the year they arise.

For salaried employees in Sweden, the H&M group applies the ITP plan through insurance policies with Alecta and Collectum, i.e. ITP 2 and ITP 1. According to statement UFR 10 from the Swedish Financial Reporting Board, the ITP 2 plan is a defined benefit plan that covers a number of employers. The plan will be reported as a defined contribution plan until the company gains access to information that allows this plan to be reported according to the rules for defined benefit plans. The expected contributions to ITP 2 for the next annual reporting period is estimated at SEK 202 m. The ITP 1 plan is a defined contribution plan. See also note 7 for information on pension to a former CEO.

Alecta's surplus cannot be allocated to the insured employer and/or the insured employees. As of 30 September 2022, Alecta's consolidation ratio was 189 percent (169). The consolidation ratio is calculated as the fair value of managed assets as a percentage of the obligations calculated in accordance with Alecta's actuarial assumptions. This calculation is not in line with IAS 19.

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Present value of defined benefit obligations	1,736	1,794	119	154
Fair value of managed assets	-1,403	-1,366	-3	-10
Provisions for pension obligations recognised in the balance sheet	333	428	116	144
Opening balance 1 December	1,794	1,819	154	180
Recognised pension expenses, net	4	33	-19	-6
Pensions paid out	-18	-26	-10	-20
Contributions by plan participants	31	32	-	-
Disbursements from assets	-75	-64	-6	-
Carrying amount of defined benefit obligations, 30 November	1,736	1,794	119	154
Opening balance 1 December	-1,366	-1,207	-10	-11
Recognised pension income, net	-37	-145	1	1
Premiums paid by employer	-44	-46	-	-
Contributions by plan participants	-31	-32	-	-
Disbursements	75	64	6	-
Carrying amount of fair value of plan assets, 30 November	-1,403	-1,366	-3	-10

Of the total recognised obligation, SEK 131 m (168) relates to defined benefit pensions plans in Sweden and SEK 163 m (202) to plans in Switzerland. The weighted average maturity of these pension plans is 7.7 years for the Swedish plans and 12.9 years for the Swiss plans.

Cont. Note 20 Provisions for pensions

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
The amounts recognised as pension expenses comprise the following items:				
Current service cost	60	68	–	–
Interest expense	9	6	2	2
Interest income	-6	-3	0	0
Reductions/adjustments gains (-) and losses (+)	-17	-3	–	–
Past service cost	-42	-2	–	–
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	18	9	–	–
Pension expenses recognised in the income statement	22	75	2	2
Pension expenses recognised in other comprehensive income				
Return on plan assets	119	-82	1	1
Actuarial gains/losses demographic assumptions liability	-5	-41	-5	–
Actuarial gains/losses financial assumptions liability	-235	-48	-23	-4
Actuarial gains/losses experience liability	66	-16	7	-4
Actuarial gains (-) and losses (+)	-55	-187	-20	-7
Total recognised pension expenses	-33	-112	-18	-5

The cost of defined contribution pension plans amounts to SEK 868 m (890).

Next year's expected payments for defined benefit pension plans amount to SEK 41 m.

Significant actuarial assumptions on the balance sheet date (weighted average amounts)				
Discount rate	2.17%	0.55%	4.00%	1.50%
Future salary increases	2.01%	1.02%	3.25%	3.00%
Future pensions increases (inflation)	0.20%	0.23%	2.25%	2.00%

The mortality assumptions for Sweden are based on the mortality table DUS21, which is the latest mortality review published by Insurance Sweden. For the other plans the representative mortality tables based on local market practise have been used.

A 0.5 percentage point reduction in the discount rate would increase the liability for the Swedish commitments by SEK 5.3 m (8.5).

21. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	FINANCIAL ASSETS AND LIABILITIES HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		FINANCIAL ASSETS HELD AT AMORTISED COST		FINANCIAL LIABILITIES HELD AT AMORTISED COST		DERIVATIVES WITH HEDGE ACCOUNTING		TOTAL BOOK VALUE	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Other non-current receivables	–	–	939	860	–	–	–	–	939	860
Accounts receivable	–	–	3,014	3,059	–	–	–	–	3,014	3,059
Derivatives	–	–	–	–	–	–	681	1,422	681	1,422
Other shares and interests	2,654	4,405	–	–	–	–	–	–	2,654	4,405
Cash and cash equivalents	–	–	21,707	27,471	–	–	–	–	21,707	27,471
Total financial assets	2,654	4,405	25,660	31,390	–	–	681	1,422	28,995	37,217
Accounts payable	–	–	–	–	21,090	20,382	–	–	21,090	20,382
Liabilities to credit institutions	–	–	–	–	10,778	9,615	–	–	10,778	9,615
Other long-term liabilities	–	–	–	–	183	180	–	–	183	180
Derivatives	–	–	–	–	–	–	1,365	1,015	1,365	1,015
Total financial liabilities	–	–	–	–	32,051	30,177	1,365	1,015	33,416	31,192

The group applies IFRS 9 Financial Instruments.

Financial instruments recognised in the balance sheet include on the assets side cash and cash equivalents, accounts receivable, short-term investments, non-current receivables, and derivatives. On the liabilities side are accounts payable, liabilities to credit institutions and derivatives. Financial instruments are reported in the balance sheet when the group becomes party to the contractual terms of the instrument. Financial assets are removed from the balance sheet when the contractual rights to the cash flows from the asset cease. Financial liabilities are removed from the balance sheet when the obligation is met, cancelled, or ends. For lease liabilities see note 15.

Financial instruments are measured based on inputs classified in accordance with IFRS 13:

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.

Classification and subsequent recognition

At the date of acquisition the financial instruments are classified in the categories below.

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 Renewcell AB is based on the share price on the closing day (level 1), and the fair value of the investment amounts to SEK 242 m (782) as of 30 November 2022.

The valuation of the other non-controlling interests is based primarily on the latest financing round or transaction. When this is not available, the companies are valued by applying an appropriate valuation technique for each specific holding. In these cases, the following

valuation techniques may be taken into consideration: applying relevant multiples from similar companies to the holding's key ratios, historical transactions in the industry, and the discounted cash flow method. The fair value of the remaining shares and interests is based on the latest financing round or transaction. 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 and no significant events affecting the fair value has occurred between the date of the prior transaction and the closing day. If the price in the latest financing round or transaction had been 1 percent higher, the value of the holding would have increased to the same extent. The fair value of the remaining shares and interests amounts to SEK 2,412 m (3,623) as of 30 November 2022, the largest investments being Instabee SEK 709 m (377), Sheertex SEK 526 m (31), and Klarna SEK 456 m (2,939). The fair value of the majority of the investments is based on financing rounds or transactions made during the current financial year.

RECONCILIATION OF INVESTMENTS BASED ON LEVEL 3 INPUT	2022	2021
Opening balance	3,623	427
Additions	816	578
Disposals	-25	-19
Reclassification ¹	28	-337
Gain or loss recognised in Other comprehensive income ²	-2,030	2,974
Closing balance	2,412	3,623

1) Reclassification refers to investments in CALA and Thread Inc being reclassified as investments in associates for 2021 and investment in Worn Again being reclassified to non-controlling interest in 2022.

2) The effect on Other comprehensive income for 2022 consists primarily of the loss recognised on the Klarna investment of SEK -2,482 m. The valuation is based on an indicative subscription price from a transaction in July 2022.

Financial assets measured at amortised cost

Assets in this category are measured at amortised cost, with the effective interest rate being used to calculate the value. These assets are held under the business model for collection of contractual cash

Cont. Note 21 Financial assets and liabilities by category

flows that represent solely payments of principal and interest. The carrying amount of assets measured at amortised cost is adjusted by any expected credit loss allowance recognised. This category primarily covers cash and bank balances as well as accounts receivable. The group's own credit operations were phased out and are now managed through collaboration with an external party. As of the closing date, all of the group's short-term investments fell into this category.

Recognition of expected credit losses

The group will recognise a loss allowance for expected credit losses on financial assets measured at amortised cost. As of the closing day, an adjustment of the loss allowance will be recognised in profit or loss.

The group will measure the loss allowance at an amount equal to 12 months expected credit losses. If the credit risk of a financial asset has increased significantly since the initial recognition, the loss allowance will be measured at an amount equal to the lifetime expected credit losses. Cash and cash equivalents are assessed to have a low credit risk. For accounts receivables, the group will apply the simplified approach which means that the loss allowance will be measured at an amount equal to lifetime expected credit losses. The loss allowance for expected credit losses as of the closing day does not amount to a significant amount and has therefore not been recognised.

Financial liabilities measured at amortised cost

This category includes financial liabilities that are not held for trading. These are initially recognised at fair value, net after transaction costs, and subsequently at amortised cost using the effective interest method, which means that the estimated change in value (the effective interest) is recognised as interest income or interest expense in the income statement. Accounts payable fall into this category. These have a short expected term and are recognised at the nominal amount with no discounting. Liabilities to credit institutions are measured at amortised cost. All of the liabilities stated below under financial liabilities are measured at amortised cost. A calculation at fair value would reduce the group's liabilities to credit institutions by approximately SEK 1,300 m. The reduction is due to general increase in interest rates since liabilities were issued.

Derivatives with hedge accounting

Currency derivatives are measured at fair value based on Level 2 inputs in the IFRS 13 hierarchy. As of 30 November 2022, forward contracts with a positive market value amount to SEK 681 m (1,422), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 1,365 m (1,015), which is reported under other current liabilities. Other financial assets and liabilities have short terms. The fair values of these financial instruments are assessed to be approximately equal to their book values.

Reporting of derivatives used for hedging purposes

All derivatives are reported initially and subsequently at fair value in the balance sheet.

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.

In hedge accounting, derivatives are classified as cash flow hedging or as fair value hedging. In the past financial year and the previous

financial year all were categorised as cash flow hedging or hedging of net investments in foreign operations.

Hedging of forecast currency flows – cash flow hedging

Derivatives that hedge the forecast flow are reported in the balance sheet at fair value. Changes in value are reported in equity as a hedging reserve, 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 cash flow hedges for hedging forecast currency flows is measured monthly by comparing the hedged item with the hedging instrument.

Measurement of the category hedging derivatives at fair value is based on observable data; in other words, in accordance with Level 2 in the measurement hierarchy established in IFRS 13. The fair value of forward exchange contracts is calculated by discounting the difference between the agreed forward rate and the forward rate that can be obtained on the closing date for the remaining contract term. Contracts are discounted to a risk-free rate based on government bonds.

Hedging of net investments in foreign operations

Derivatives intended for hedging net investments in foreign operations are recognised in equity 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.

The fair value of all financial assets and liabilities essentially corresponds to the book value. Assets and liabilities that are recognised at amortised cost have short remaining terms, making the difference between book value and fair value negligible.

The following table shows the outstanding forward contracts for cash flow hedging reported in the hedging reserve as of the closing date.

	BOOK VALUE AND FAIR VALUE, SEK		NOMINAL AMOUNT, SEK		AVERAGE REMAINING TERM IN MONTHS	
	2022	2021	2022	2021	2022	2021
SELL/BUY						
NOK/SEK	-3	1	728	942	4	3
GBP/SEK	-46	-57	3,063	3,570	3	3
DKK/SEK	-14	-13	857	1,025	3	3
CHF/SEK	-11	-40	887	987	3	4
EUR/SEK	-212	-220	14,153	17,391	3	4
PLN/SEK	-39	7	875	1,370	4	4
USD/SEK	12	-261	7,116	6,015	4	3
CAD/SEK	31	-27	1,191	1,227	3	4
JPY/SEK	-3	-23	699	793	4	4
HKD/SEK	0	-4	64	86	3	3
RON/SEK	-15	-8	547	509	4	4
CZK/SEK	-11	-3	351	373	4	3
HUF/SEK	-10	5	325	404	4	4
AUD/SEK	1	-4	400	435	3	3
CNH/SEK	18	-38	719	617	4	3
RUB/SEK	0	-22	0	952	0	3

Cont. Note 21 Financial assets and liabilities by category

SELL/BUY	BOOK VALUE AND FAIR VALUE, SEK		NOMINAL AMOUNT, SEK		AVERAGE REMAINING TERM IN MONTHS	
	2022	2021	2022	2021	2022	2021
TRY/SEK	-11	54	216	217	4	3
MXN/SEK	-62	14	1,060	929	3	3
SEK/USD	-40	1,175	25,924	27,615	0	3
SEK/EUR	34	21	2,241	1,669	0	4
Subtotal	-379	558	61,416	67,126		

SELL/BUY	BOOK VALUE AND FAIR VALUE, SEK		NOMINAL AMOUNT, USD		AVERAGE REMAINING TERM IN MONTHS	
	2022	2021	2022	2021	2022	2021
KRW/USD	0	2	0	31	0	3
CLP/USD	0	15	0	15	0	3
PEN/USD	0	0	0	5	0	2
Subtotal	0	17	0	51		
Total	-379	575				

At the closing date, forward contracts with a positive market value amount to SEK 681 m (1,422), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 1,365 m (1,015), which is reported under other current liabilities. Of the outstanding forward contracts, losses of SEK 305 m (169) were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK 379 m (576) is included in the hedging reserve in equity.

22. ACCRUED EXPENSES, DEFERRED INCOME AND OTHER PROVISIONS

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Holiday pay liability	1,618	1,574	-	-
Social security costs	1,030	1,295	34	47
Payroll liability	1,966	1,724	1	1
Costs relating to premises	9,196	7,835	-	-
Other accrued overheads	11,131	9,643	141	143
Total	24,941	22,071	176	191

	GROUP	
	2022	2021
Restructuring provision	836	-
Total	836	-

23. RELATED PARTY DISCLOSURES

Ramsbury Invest AB, which is owned by Stefan Persson and family, is formally the parent company of H & M Hennes & Mauritz AB. The H&M group leases the following store premises in properties directly or indirectly owned by the Stefan Persson family and related companies: Drottninggatan in Stockholm, Kungsgatan and Östra Hamngatan in Gothenburg, Stadt Hamburgsgatan in Malmö, Amagertorv in Copenhagen, Oxford Circus and Regent Street in London, Kaufingerstrasse in Munich, Via del Corso/Via Tomacelli in Rome, Wisconsin Avenue in Washington DC and, since January 2008, premises for H&M's head office in Stockholm. Rent is paid at market rates, and rental costs and other property-related expenses totaled SEK 583 m (558) for the financial year. Outstanding balances in the form of prepaid rent amount to SEK 0 m (7.4) and lease liabilities amount to SEK 2,288 m (2,738) as of 30 November 2022.

Transactions with associates took place on market terms and amounted to SEK 122 m (0) for the financial year. Outstanding balances with associates amount to SEK 27 m (0) as of 30 November 2022.

Ramsbury Invest AB, the principal shareholder in H & M Hennes & Mauritz AB, did in 2020 issue 300,000 call options to Helena Helmersson, the H&M group's CEO. The options are issued on market terms and are based on an independent third-party valuation using the Black & Scholes model. The options issued have no dilution effect for H&M shareholders and no cost to the H&M group since the transaction is against Ramsbury Invest AB's existing shareholding. Each option provides the right to buy one class B share in H&M at a strike price of SEK 202.48 per share and may be exercised during a 12-month period beginning three years after the agreement date. Helena Helmersson is paying a premium of SEK 12.34 per option to the issuer Ramsbury Invest.

See also note 7 for outstanding balances with board members.

24. INTEREST-BEARING LIABILITIES

	GROUP				PARENT COMPANY			
	INTEREST RATE % 30 NOV	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS	INTEREST RATE % 30 NOV	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS
2022	1.9-2	350	-	0	1.9-2	350	-	-
2023	0.784-26	600	-	2,369	0.784-2.61	600	-	2,068
2024	0	-	-	-	0	-	-	-
2025	0	-	-	-	0	-	-	-
2026	1.7	-	-	2,000	1.7	-	-	2,000
2027	0	-	-	-	0	-	-	-
2028	0	-	-	-	0	-	-	-
2029	0.25	-	5,459	-	0.25	-	5,165	-
		950	5,459	4,369		950	5,165	4,068

	GROUP				PARENT COMPANY			
	INTEREST RATE % 30 NOV	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS	INTEREST RATE % 30 NOV	COMMERCIAL PAPERS	BONDS (EMTN)	LOANS FROM CREDIT INSTITUTIONS
2021	0.3-12.25	275	-	161	0.3	275	-	-
2022	0.234	-	-	2,051	0.234	-	-	2,068
2023	0	-	-	-	0	-	-	-
2024	0	-	-	-	0	-	-	-
2025	0	-	-	-	0	-	-	-
2026	1.7	-	-	2,000	1.7	-	-	2,000
2027	0	-	-	-	0	-	-	-
2028	0	-	-	-	0	-	-	-
2029	0.25	-	5,127	-	0.25	-	5,165	-
		275	5,127	4,212		275	5,165	4,068

In the group, loans in other currencies are remeasured at the exchange rate on the balance sheet date. In the parent company, these loans in respect of net investments in foreign operations are reported at original book value.

	2021	CASH FLOW CHANGE	FOREIGN EXCHANGE ¹	ACQUISITIONS	2022
Loans from credit institutions	4,213	-	156	-	4,369
Commercial paper	275	675	-	-	950
Bond	5,127	-	332	-	5,459
Total liabilities from financing activities	9,615	675	488	-	10,778

	2020	CASH FLOW CHANGE	FOREIGN EXCHANGE ¹	ACQUISITIONS	2021
Loans from credit institutions	15,032	-10,819	-	-	4,213
Commercial paper	1,300	-1,025	-	-	275
Bond	-	-	-	5,127	5,127
Total liabilities from financing activities	16,332	-11,844	-	5,127	9,615

1) Not affecting cash flow.

As of 30 November 2022 the group had non-current lease liabilities of SEK 49,282 m (45,379) and current lease liabilities of SEK 12,575 m (11,698), which are reported in note 15.

25. APPROPRIATIONS

	PARENT COMPANY	
	2022	2021
Group contributions paid	-3,150	-10
Depreciation in excess of plan	11	6
Total	-3,193	-4

26. INTERESTS IN GROUP COMPANIES

All companies are wholly owned.

2022	CORPORATE ID NUMBER	NO. OF SHARES	BOOK VALUE	DOMICILE
Parent company shareholding				
H & M Hennes & Mauritz Sverige AB	556151-2376	1,250	200.1	Stockholm
H & M Online AB	556023-1663	1,150	30.6	Stockholm
H & M Hennes & Mauritz GBC AB	556070-1715	999	2.6	Stockholm
H & M Hennes & Mauritz International B.V.		40	0.1	Netherlands
H & M Hennes & Mauritz India Private Ltd		8,650,000	12.5	India
H & M Hennes & Mauritz Japan KK		99	11.7	Japan
FaBric Scandinavien AB	556663-8523	1,380	560.7	Tranås
H & M Hennes & Mauritz International AB	556782-4890	1,000	0.1	Stockholm
H & M Fashion AB	556922-7878	50,000	0.1	Stockholm
H & M Finance AB	559159-7090	50,000	0.1	Stockholm
Store Lens AB	559274-6936	25,000	0.0	Stockholm
H & M Finance BV		50,000	0.5	Netherlands
Total			819.1	

2022	CORPORATE ID NO	DOMICILE
Subsidiaries' holdings		
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
H & M Hennes & Mauritz online shop 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
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 GBC NV		Belgium

Cont. Note 26 interests in group companies

2022	CORPORATE ID NO	DOMICILE
H & M NB Belgium NV		Belgium
H & M Hennes & Mauritz GesmbH		Austria
H & M Hennes & Mauritz Oy		Finland
H & M Hennes & Mauritz SARL		France
H & M Hennes & Mauritz Logistics GBC France		France
H & M Hennes & Mauritz LP		US
H & M Services US Inc.		US
H&M Retail USA Inc.		US
H&M Fashion Inc.		US
Hennes & Mauritz SL		Spain
Hennes & Mauritz Services SL		Spain
H & M Hennes & Mauritz sp. z o.o.		Poland
H & M Hennes & Mauritz Logistics sp. z o.o.		Poland
H & M Hennes & Mauritz Logistics 1 sp. z o.o.		Poland
H & M Hennes & Mauritz CZ, s.r.o.		Czech Republic
Hennes & Mauritz Lda		Portuga
H & M Hennes & Mauritz S.r.l.		Italy
H & M Services S.r.l.		Italy
H & M Hennes & Mauritz Inc.		Canada
H & M Hennes & Mauritz d.o.o.		Slovenia
H & M Hennes & Mauritz (Ireland) Ltd		Ireland
H & M Hennes & Mauritz Kft		Hungary
H & M Hennes & Mauritz (Far East) Ltd		Hong Kong SAR
Puls Trading Far East Ltd		Hong Kong SAR
H & M Hennes & Mauritz Holding Asia Ltd		Hong Kong SAR
H & M Hennes & Mauritz Ltd		Hong Kong SAR
Hennes & Mauritz (Shanghai) Commercial Co Ltd		Mainland China
H & M Hennes & Mauritz (Shanghai) Trading Co Ltd		Mainland China
H & M Hennes & Mauritz (Shanghai) Corporation Service Co.,Ltd		Mainland China
H & M Hennes & Mauritz SK s.r.o.		Slovakia
H & M Hennes & Mauritz A.E.		Greece
H & M Hennes & Mauritz LLC		Russia
H & M Hennes & Mauritz TR Tekstil Ltd Sirketi		Türkiye
H & M Hennes & Mauritz Ltd		South Korea
H & M Hennes & Mauritz SRL		Romania
H & M Hennes & Mauritz RO Services S.R.L.		Romania
H & M Hennes & Mauritz d.o.o. za trgovinu		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
H & M Hennes & Mauritz S.A. de C.V.		Mexico
H & M Hennes & Mauritz Management 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

2022	CORPORATE ID NO	DOMICILE
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 Proprietary Limited		South Africa
H & M Hennes & Mauritz Pty Ltd		Australia
H & M Hennes & Mauritz S.A.C.		Peru
H & M Hennes & Mauritz (Macau) Limited		Macao SAR
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 Limited		New Zealand
H & M Hennes & Mauritz Cyprus Limited		Cyprus
H & M Hennes & Mauritz Kazakhstan LLP		Kazakhstan
H & M Hennes & Mauritz Colombia S.A.S.		Colombia
H & M Hennes & Mauritz Iceland ehf		Iceland
H & M Hennes & Mauritz Vietnam LLC		Vietnam
H & M Hennes & Mauritz Georgia LLC		Georgia
Hennes & Mauritz Uruguay S.A.		Uruguay
H & M Hennes & Mauritz LLC		Ukraine
H & M Hennes & Mauritz Bel LLC		Belarus
H & M Hennes & Mauritz B&H d.o.o.		Bosnia-Herzegovina
H&M Hennes & Mauritz Kosovo SH.P.K.		Kosovo
H&M Hennes & Mauritz Albania SH.P.K.		Albania
H&M Hennes & Mauritz MK dooel Skopje		North Macedonia
H&M Hennes & Mauritz Brazil Importacoes Ltda.		Brazil
H&M Hennes & Mauritz EC S.A.S.		Ecuador
H&M Hennes & Mauritz LLC		Puerto Rico

27. UNTAXED RESERVES

	PARENT COMPANY	
	2022	2021
Depreciation in excess of plan	21	32
Total	21	32

28. CONTINGENT LIABILITIES

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 11.

Neither the group nor the parent company has any pledged assets.

	PARENT COMPANY	
	2022	2021
Parent company's lease guarantees	12,687	9,650
Logistics	2,835	–
Solar parks	260	–
Total	15,782	9,650

29. INTEREST INCOME, INTEREST EXPENSE AND SIMILAR ITEMS

The parent company's interest income and similar items consist of SEK 7 m (10) in interest income and SEK 21 m (28) in translation effects on receivables and liabilities from group companies.

The parent company's interest expense and similar items consist of SEK -123 m (-242) in interest expense and SEK 0 m (0) in translation effects on receivables and liabilities from group companies.

30. EVENTS AFTER THE CLOSING DATE

During the first quarter of 2023 the H&M group has acquired the controlling interest in Sellpy, which thereby will be consolidated starting in the first quarter. For more details, see the three-month report for 2023.

31. DISTRIBUTION OF EARNINGS

The board of directors proposes to the 2023 annual general meeting that an ordinary dividend of SEK 6.50 per share is paid and that the remaining earnings at the disposal of the meeting are carried forward. See also information in the board's dividend comment in the administration report on page 84.

The board's proposal to the 2023 AGM regarding distribution of earnings

	SEK
At the disposal of the annual general meeting	16,009,039,715
The board proposes a dividend to shareholders of SEK: 6.50 per share	10,592,964,441
To be carried forward as retained earnings	5,416,075,274
	16,009,039,715

Signing of the annual report

The undersigned hereby provide an assurance that the annual report and the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and with generally accepted accounting practice, and that they provide a true and fair view of the group's and the parent company's position

and earnings. The administration report for the group and the parent company provides a true and fair view of the development of the group's and the parent company's business, position and earnings, and describes the significant risks and uncertainties faced by the parent company and the companies making up the group.

Stockholm, 23 March 2023

Karl-Johan Persson
Chair of the Board

Stina Bergfors
Board member

Anders Dahlvig
Board member

Lena Patriksson Keller
Board member

Christian Sievert
Board member

Erica Wiking Häger
Board member

Niklas Zennström
Board member

Danica Kragic Jensfelt
Board member

Ingrid Godin
Board member

Louise Wikholm
Board member

Tim Gahnström
Board member

Helena Helmersson
Chief Executive Officer

Our audit report was submitted on 23 March 2023

Deloitte AB

Didrik Roos Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of H & M Hennes & Mauritz AB (publ) (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 2021-12-01 - 2022-11-30, except for the sustainability report on pages 86-107. The annual accounts and consolidated accounts of the company are included on pages 73-141 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 2022 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 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the statutory sustainability report on pages 86-107. 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, 2022, the Group held SEK 82 736 million of property, plant and equipment consisting mainly of equipment, tools, fixture and fittings (SEK 23 734 million) and right of use assets

(SEK 58 305 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 86 million and SEK 132 million, excluding stores where a decision to close was taken prior to year-end.

The Group considers that generally 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 13 (Buildings, land and equipment) and note 15 (Leases).

Our audit procedures included, but were not limited to:

- Assessing the accounting principles for impairment of store assets in compliance with IFRS, with the support of accounting specialists,
- Obtaining an understanding of the store impairment process as well as the forecasting process,
- Evaluating and challenging management's range of impairment indicators,
- Evaluating and challenging management's identification of cash generating units and the supporting documentation,
- Evaluating and challenging key assumptions such as future revenue growth, changes in gross margin, long-term growth rates and applied discount rates,
- Reviewing the accuracy of past forecasts of growth rates and future cash flows to assess the level of accuracy of the forecasting process,
- Assessing the appropriateness of the discount rates applied with the involvement of our internal valuations specialists,
- Assessing the mechanical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36, Impairment of Assets, and
- Evaluating the appropriateness of disclosures made in the financial statements.

Accounting for leases

The Group has a large number of lease contracts including approximately 4,500 stores as well as multiple offices and warehouses globally. The right of use asset amounts to SEK 58 305 million as of November 30, 2022 and constitutes 32% 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 15 (Leases).

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 including related IT systems,
- 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, 2022, stock-in-trade amounts to SEK 42 495 million corresponding to 23% 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 and 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 in use. 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 16 (Stock-in-trade).

Our audit procedures included, but were not limited to:

- Assessing the group's accounting principles for inventory in compliance with IFRS with the support of accounting specialists,

- Obtaining an understanding of the internal control environment regarding valuation of inventory and test identified key controls for design and implementation including related IT systems,
- Observing a sample of physical inventory counts in stores and warehouses,
- On a sample basis testing valuation of inventory,
- Evaluating management's estimates related to provisions for obsolescence and sales return, and
- Evaluating the appropriateness of disclosures made in the financial statements.

Other information than the annual accounts and consolidated accounts

The other information consists of the remuneration report and the pages 2-54, 86-107 and 147-152. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding

independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of H & M Hennes & Mauritz AB (publ) for the financial year 2021-12-01 - 2022-11-30 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 2021-12-01 – 2022-11-30.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the *Auditors' responsibility* section. We are independent of H & M Hennes & Mauritz AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity and cash flow in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's opinion regarding the statutory sustainability report

The board of directors is responsible for the statutory sustainability report on pages 86-107, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less

in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Deloitte AB, was appointed auditor of H & M Hennes & Mauritz AB (publ) by the general meeting of the shareholders on the 2022-05-04 and has been the company's auditor since 2021-05-06.

Stockholm, March 23, 2023

Deloitte AB

Didrik Roos
Authorized Public Accountant

Key financial performance measures

This report contains key financial performance measures in accordance with the framework for financial reporting applied by the H&M group, which is based on IFRS. Other performance measures and indicators are also used to follow up, analyse and govern the business and to provide the H&M group's stakeholders with financial information concerning the group's financial position, results and performance in a consistent way.

These other performance measures and indicators are considered necessary in order to be able to monitor performance against the group's financial targets. A combination of continual growth, high profitability, stable cash flow and using capital in the right way is intended to generate a high overall return for the H&M group's shareholders. It is therefore relevant to present performance measures relating to growth, profitability and capital, per-share measures and terms relating to capital on a continuous basis.

The performance measures and indicators used, referred to and presented in the reporting are defined as shown in the list below.

Measures of profit and return

	GROUP	
	2022	2021
RETURN ON EQUITY		
Profit for the year	3,566	11,010
Average shareholders' equity	55,388	57,321
Return on equity	6.4%	19.2%

Definition: Profit for the year in relation to average equity.

Reason for use: Return on equity is used as a measure of how investments are used to generate increased revenue.

	GROUP	
	2022	2021
RETURN ON CAPITAL EMPLOYED		
Profit after financial items	6,216	14,300
Interest expense	1,115	1,158
Average shareholders' equity	55,388	57,321
Average interest-bearing liabilities	70,044	73,898
Return on capital employed	5.8%	11.8%

Definition: Profit after financial items plus interest expense in relation to average equity plus average interest-bearing liabilities.

Reason for use: A measure of profitability after taking into consideration the amount of capital employed. A higher return on capital employed indicates that the capital is being used more effectively.

	GROUP	
	2022	2021
GROSS PROFIT		
Net sales	223,553	198,967
Cost of goods sold	-110,276	-93,961
Gross profit	113,277	105,006

Definition: Net sales minus cost of goods sold.

Reason for use: This is one of the ways in which H&M measures profitability. Gross profit is affected by a number of factors such as the product assortment, price development and cost changes.

	GROUP	
	2022	2021
GROSS MARGIN		
Net sales	223,553	198,967
Gross profit	113,277	105,006
Gross margin	50.7%	52.8%

Definition: Gross profit in relation to net sales.

Reason for use: This is one of the ways in which H&M measures profitability. Gross profit is affected by a number of factors such as the product assortment, price development and cost changes.

	GROUP	
	2022	2021
OPERATING PROFIT		
Net sales	223,553	198,967
Cost of goods sold	-110,276	-93,961
Selling expenses	-94,542	-80,535
Administrative expenses	-11,566	-9,216
Operating profit	7,169	15,255

Definition: Net sales minus all costs attributable to operations but excluding net financial items and tax.

Reason for use: An indicator of the result of operating activities.

	GROUP	
	2022	2021
OPERATING MARGIN		
Net sales	223,553	198,967
Operating profit	7,169	15,255
Operating margin	3.2%	7.7%

Definition: Operating profit as a percentage of net sales for the year.

Reason for use: An indicator of operational profitability.

	GROUP	
	2022	2021
EBITDA		
Operating profit	7,169	15,255
Depreciation, amortisation and write-downs	22,579	22,320
EBITDA	29,748	37,575
Depreciation and write-downs of right-of-use assets	-12,105	-11,988
EBITDA excl. IFRS 16	17,643	25,587

Definition: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation). Operating profit before interest, taxes, depreciation, amortisation, write-downs and impairment incl. and excl. IFRS 16 respectively.

Reason for use: A measure that complements operating profit, since it shows the cash surplus from operations.

Cont. Key financial performance measures

Capital performance measures

SHARE OF RISK-BEARING CAPITAL	GROUP	
	2022	2021
Shareholders' equity	50,757	60,018
Deferred tax liability	3,273	3,601
Balance sheet total	182,048	179,781
Share of risk-bearing capital	29.7%	35.4%

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	
	2022	2021
Shareholders' equity	50,757	60,018
Balance sheet total	182,048	179,781
Equity/assets ratio	27.9%	33.4%

Definition: Equity in relation to the balance sheet total.

Reason for use: Shows financial potential and independence to develop the business.

CAPITAL EMPLOYED	GROUP	
	2022	2021
Shareholders' equity	50,757	60,018
Interest-bearing liabilities	72,968	67,119
Capital employed	123,725	127,137

Definition: Equity plus interest-bearing liabilities.

Reason for use: Shows the company's ability to meet current capital commitments.

OPERATING WORKING CAPITAL	GROUP	
	2022	2021
Accounts receivable	3,014	3,059
Stock-in-trade	42,495	37,306
Accounts payable	-21,090	-20,382
Operating working capital	24,419	19,983

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 OPERATING WORKING CAPITAL	GROUP	
	2022	2021
Operating working capital	24,419	19,983
Tax assets	3,212	2,834
Other receivables	4,601	3,509
Prepaid expenses	4,494	4,807
Tax liabilities	-1,843	-1,441
Other liabilities	-6,048	-5,149
Accrued expenses and deferred income	-25,050	-22,071
Total working capital	3,785	2,472

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	
	2022	2021
Provisions for pensions	333	428
Interest-bearing liabilities leases	61,857	57,077
Liabilities to credit institutions	10,778	9,614
Cash and cash equivalents	-21,707	-27,471
Net debt	51,261	39,648
Interest-bearing liabilities leases	-61,857	-57,077
Net debt excl. IFRS 16	-10,596	-17,429

Definition: Interest-bearing liabilities incl. and excl. 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/CASH	GROUP	
	2022	2021
Interest-bearing liabilities excluding lease liabilities and provisions for pensions	10,778	9,614
Cash and cash equivalents and short-term investments	-21,707	-27,471
Financial net debt (+) / net cash (-)	-10,929	-17,857

Definition: Interest-bearing liabilities excluding lease liabilities and provisions for pensions less cash and cash equivalents and short-term investments.

Reason for use: Used to show the net of the company's borrowing, cash and cash equivalents and short-term investments.

Cont. Key financial performance measures

OPERATING CASH FLOW/ EBITDA	GROUP	
	2022	2021
Cash flow from operating activities	24,476	44,619
EBITDA	29,748	37,575
Operating cash flow/EBITDA	82.3%	118.7%

Definition: Cash flow from operating activities in relation to EBITDA.

Reason for use: Measure of how much cash flow is generated by operating activities in relation to the profit shown in the income statement.

Per-share performance measures

EQUITY PER SHARE	GROUP	
	2022	2021
Shareholders' equity	50,757	60,018
Number of shares outstanding as of the closing day, thousands	1,629,687	1,655,072
Equity per share	31.15	36.26

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	
	2022	2021
Cash flow from operating activities	24,476	44,619
Average number of shares outstanding, thousands	1,649,847	1,655,072
Cash flow from operating activities per share	14.84	26.96

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	
	2022	2021
Price per share at year-end	116.66	160.00
Earnings per share	2.16	6.65
P/E ratio	54	24

Definition: Price per share divided by earnings per share.

Reason for use: This indicator shows how the profit for the period relates to the price of the shares.

The H&M share

KEY RATIOS PER SHARE	2022	2021	2020	2019	2018
Shareholders' equity per share, SEK ¹	31.15	36.26	33.00	34.48	35.37
Earnings per share, SEK ¹	2.16	6.65	0.75	8.12	7.64
Change from previous year, %	-68	+787	-91	+6	-22
Dividend per share excluding own shares, SEK ^{1,2}	6.50	6.50	0.00	9.75	9.75
Share price on 30 November, SEK	116.66	160.00	181.60	184.84	167.64
P/E ratio	54	24	242	23	22

1) Before and after dilution, excluding own shares.

2) Dividend which was decided and paid during the year.

MAJOR SHAREHOLDERS, 30 NOVEMBER 2022

	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
The Stefan Persson family and related companies	883,894,190	53.4	77.3
The Lottie Tham family and related companies	88,680,400	5.4	2.6
State Street Bank and Trust CO, W9	36,569,507	2.2	1.1
Swedbank Robur Fonder	32,405,200	2.0	0.9
H & M Hennes & Mauritz AB	25,385,163	1.5	0.8
Handelsbanken fonder	24,581,043	1.5	0.7
Fjärde AP-fonden	21,507,975	1.3	0.6
AMF – Försäkring och Fonder	20,256,776	1.2	0.6
JP Morgan Chase Bank NA	17,970,242	1.1	0.5
BNY Mellon SA/NV (Former BNY), W8IMY	15,678,620	0.9	0.5

DISTRIBUTION OF SHARES, 30 NOVEMBER 2022

SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDER
1–500	207,503	81.5	23,980,747	1.4	116
501–1,000	21,405	8.4	16,789,236	1.0	784
1,001–5,000	20,305	8.0	45,500,755	2.8	2,241
5,001–10,000	2,714	1.1	19,926,794	1.2	7,342
10,001–15,000	819	0.3	10,249,425	0.6	12,515
15,001–20,000	460	0.2	8,175,555	0.5	17,773
20,001–	1,289	0.5	1,530,449,488	92.5	1,187,315
Total	254,495	100.0	1,655,072,000	100.0	6,503

DEVELOPMENT OF THE H&M SHARE PRICE IN SEK OVER THE PAST TEN YEARS



From 1 January 2013–1 January 2023

For more information see the investor relations section at hmgroup.com.

Source: Cision/Millstream

Annual general meeting

DATE AND VENUE

H&M's annual general meeting 2023 will be held on Thursday 4 May 2023 at 3 p.m. (CEST) in the Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna. There is a possibility of postal voting.

For more information about the annual general meeting, see the notice of the meeting at hmgroup.com/agm.

DIVIDEND

The board of directors has resolved to propose to the annual general meeting on 4 May 2023 that a dividend of SEK 6.50 per share is paid. The board proposes that the dividend is paid in two instalments during the year – one in May and one in November.

The proposed record date for the first dividend payment of SEK 3.25 per share is 8 May 2023. With this record date, the dividend is expected to be paid out by Euroclear Sweden AB on 11 May 2023.

To be entitled to receive the dividend H&M shares must have been purchased no later than 4 May 2023. The ex-dividend date is 5 May 2023.

The record date proposed for the second dividend payment of SEK 3.25 per share is 10 November 2023. With this record date, the dividend is expected to be paid out by Euroclear Sweden AB on 15 November 2023.

To be entitled to receive the second dividend instalment H&M shares must have been purchased no later than 8 November 2023. The ex-dividend date is 11 November 2023.

Calendar

H & M Hennes & Mauritz AB will provide the following information:

30 March 2023	Three-month report
4 May 2023	Annual general meeting 2023 at 3 p.m. (CEST)
29 June 2023	Six-month report
28 September 2023	Nine-month report
31 January 2024	Full-year report

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DISTRIBUTION OF ANNUAL AND SUSTAINABILITY REPORT 2022

The H&M group sends out the printed version of the Annual and Sustainability Report to shareholders who have specifically requested a printed version. The annual and sustainability report is also available to read and download at hmgrouppublic.com.

For information about the H&M group's various brands and business ventures see:

hm.com
cosstores.com
weekday.com
monki.com
stories.com
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