

## 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 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 time<sup>1</sup>. 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 in the Annual and Sustainability Report 2022), 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 [hmgroupp.com/annual-general-meeting-2022](https://hmgroupp.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.

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<sup>1</sup> 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.