

H&M

ANNUAL REPORT

2015

Blouse
€69.99

















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H&M's annual accounts and consolidated accounts for the financial year 2014/15 comprise pages 74–104.

THE H&M GROUP



ABOUT US

With several fashion brands, a total of 3,924 stores in 61 markets and 23 H&M online markets, the H&M group is one of the world's leading fashion companies. We are driven by a desire to always create the best customer offering and the best experience for our customers – and to do so in a sustainable way. We have a long-term approach, guided by the same shared values that have existed since our very first store opened in 1947. Based on a fundamental respect for the individual and a belief in people's ability to use their initiative, our values help create an open and dynamic workplace that allows colleagues all over the world to grow and work together to reach our shared goals.

148,000
employees work for
the H&M group today,
of whom 16,000
were new colleagues
welcomed in 2015.

OUR BRANDS

With several clearly defined fashion brands – each with their own unique identity – we can offer many different styles and trends. All our brands share the same passion for fashion and quality, an ambition to dress customers in a sustainable way and a drive to give their customers the best value for money. Together they provide a wide and varied range that inspires customers around the world to dress their own personal style.

H&M

COS

& other Stories



MONKI

WEEKDAY

210
billion Swedish kronor
in sales including VAT.



3,924

stores globally,
all brands included.

61

markets on six continents
and e-commerce
in 23 H&M markets.

413

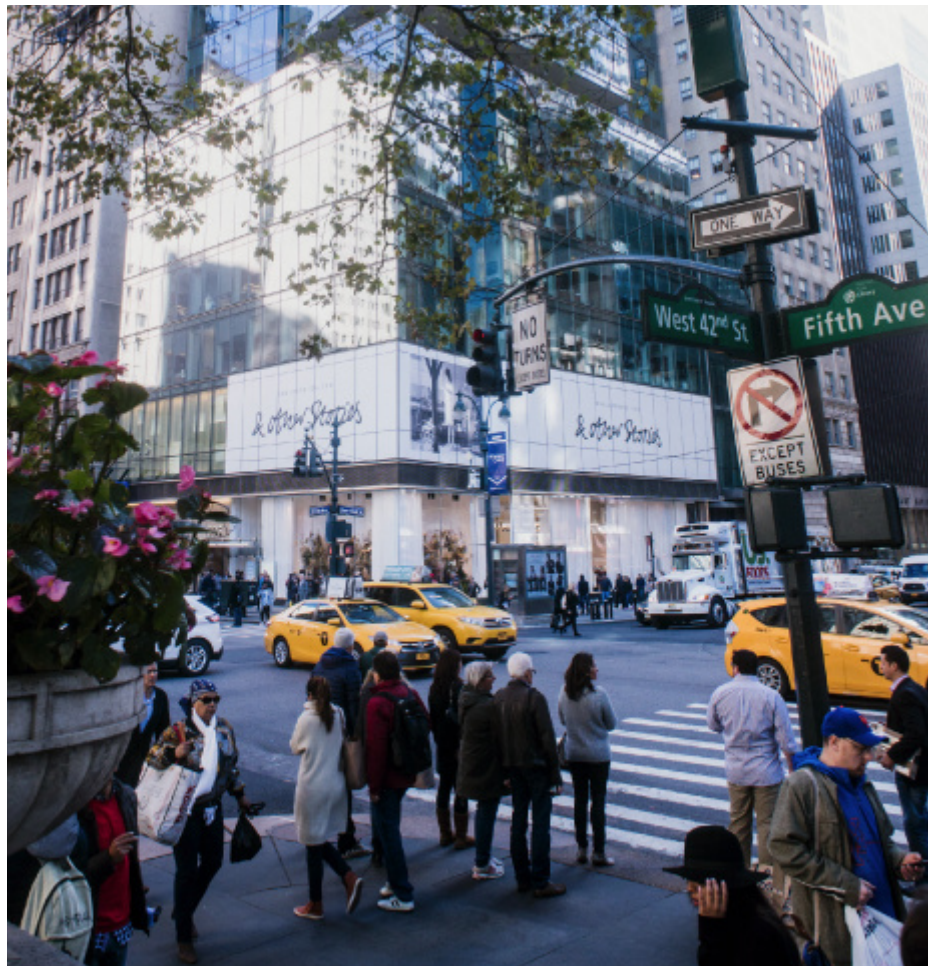
new stores net
in 2015.

78%

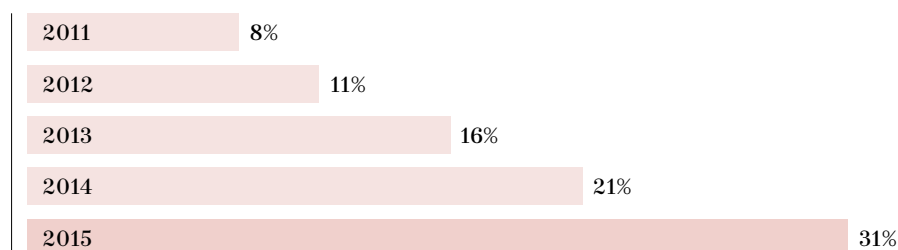
renewable
electricity in our
own operations.

56%

less greenhouse
gas emissions
since 2014.



COTTON FROM SUSTAINABLE SOURCES



Our target is for all the cotton in our ranges to come from sustainable sources by 2020. Cotton from sustainable sources means either organic cotton, recycled cotton or cotton grown under the Better Cotton Initiative.

12,341

tonnes of clothing
were collected in
2015 for reuse
and recycling.

THE H&M GROUP



Long-term approach and strong shared values.

SUSTAINABILITY IN EVERYTHING WE DO

Sustainability is an integral part of our business. As a company with strong values and a long-term approach, we use our size and influence to bring about better conditions for people and to minimise environmental impact throughout the value chain. Progress is achieved through collaborations, innovation and greater transparency. Along with customers, suppliers, business partners, scientists, interest groups, decision makers and other companies, we work all along the line – from creating the conditions for sustainable cotton production and promoting fair living wages in the textile industry, through using electricity from renewable sources, to encouraging customers to be climate smart when washing clothes and to recycle old clothing. For us, the goal is to continue to grow and create the best offering for our customers, to be an attractive employer of committed employees, create new jobs and contribute to positive development in society.

H&M's business idea is to offer fashion and quality at the best price in a sustainable way.

OUR VALUE CHAIN

Our value chain is made up of all parts of the flow, from idea to customer. The collections are created by our own designers, pattern makers and buyers, while manufacturing is outsourced to independent suppliers. We have no middlemen, always strive to buy the right product from the right market, have effective logistics and be cost-conscious in every part of the business. Flexible range planning and efficient distribution ensure that both the latest trends and timeless classics can always be found in our stores – at the best price. Our size also means customers benefit from economies of scale.



Our scale is a positive driving force in the development towards a more circular and inclusive fashion industry.

Together with our committed customers and innovative partners, we are giving old clothes a new life. Over the 2013–2015 period H&M stores globally collected 23,072 tonnes of old clothing for reuse and recycling, saving both energy and natural resources.

The H&M group is growing with new employees every year. In the past five years 61,000 new jobs have been created within the group. Each workplace offers great opportunities to develop, and the H&M Incentive Program (HIP) benefits all employees on equal terms.

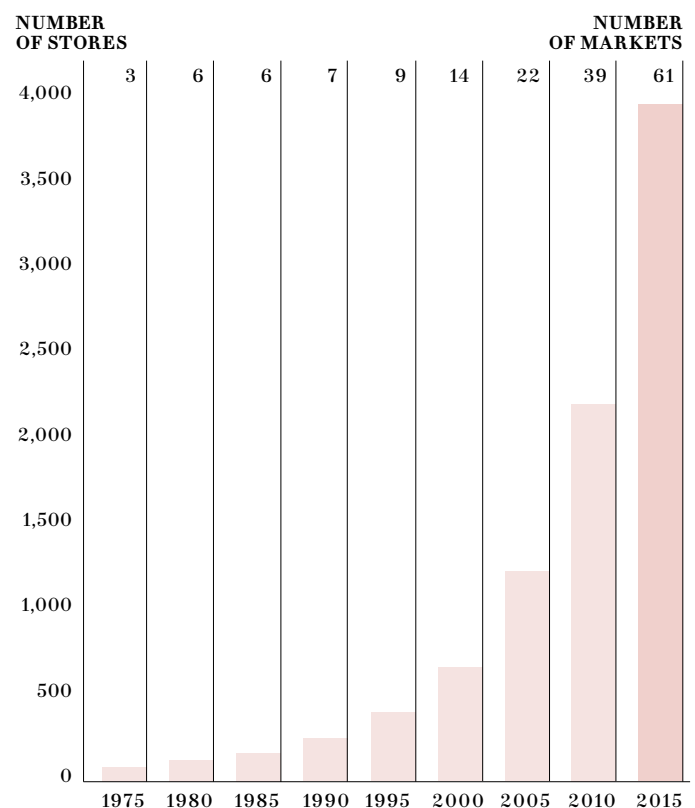
As a buyer and seller in many countries, our business contributes to trade that creates economic growth and new jobs around the world. This is particularly important for low-income countries to take part in, because it helps lift people and nations out of poverty.

We are working to improve working conditions in the textile industry. Our strategy for fair living wages at the supplier stage is based on working together with both global and local players, just as our framework agreement with IndustriALL and union IF Metall provides a basis for safeguarding the interests of 1.6 million textile workers.



WE CONTINUE TO GROW

Our offering is aimed at fashion fans all over the world. We are growing in existing markets as well as in new countries. The expansion is long-term, with a focus on quality and sustainability. The growth target is to increase the number of stores by 10–15 percent per year with continued high profitability. In parallel with store expansion, H&M is offering e-commerce in more and more countries globally. A total of 425 new stores net are planned across the brands in 2016. During the year e-commerce at H&M – which is currently available in 23 markets – will be offered in a further nine H&M markets.



We want to create the best offering for our customers

2015 was another year of rapid expansion and well-received collections for all our brands. Now we are continuing to develop our offering and will open 425 new stores and offer e-commerce in a further nine H&M markets in 2016.



CEO Karl-Johan Persson, on the past year and investing for the future.

Through different brands and concepts, the H&M group reaches fashion-conscious people around the world. In 2015 Taiwan, Peru, Macau, India and South Africa became new markets – taking H&M to customers in 61 markets, 23 of which also offer online shopping.

How would you sum up the past year?

– 2015 was a very expansive year for us. We opened 413 new stores net, ten new online markets and we established stores in new countries including India

and South Africa, which are both large and exciting markets. As always, we have put a lot of energy into giving our customers the best offering in each market. We increased sales by 19 percent in Swedish kronor and by 11 percent in local currencies, to SEK 210 billion including VAT. Sales developed well for all our brands: H&M, H&M Home, COS, & Other Stories, Monki, Weekday and Cheap Monday, and we continued to take market share in a highly competitive market. We grew while maintaining good profitability and cost control. Profit for the year after tax increased to SEK 20.9 billion, which is our highest result to date – and that despite a strong US dollar, which made our purchasing considerably more expensive.

H&M is expanding in existing markets as well as into new countries and online. The number of stores in the group has doubled in six years to nearly 4,000 and, viewed over a longer perspective,

H&M has grown profitably for several decades. What is behind these successes?

– Since the company's beginnings in 1947, H&M's development has been based on great commitment from the employees and strong shared values; the fact that we take the long view and keep on creating the best offering for customers based on our business concept – fashion and quality at the best price in a sustainable way. The commitment of our employees is crucial to our success and I would like to thank everyone for doing a fantastic job once again over the past year. I am also pleased that the result for the year means that we can contribute another SEK 75 million to the H&M Incentive Program (HIP), which is for all employees.

In 2015 alone H&M created 16,000 new jobs within the group. What do your future recruitment needs look like?

– We are now more than 148,000 employees and we plan to employ further thousands of new employees in 2016 since our strong expansion is continuing.

In parallel with this expansion, H&M is also making long-term investments for the future. What areas are you investing in?

– There are investments in a number of areas that we are continuing to make – particularly within IT, online and broadening the product range – in order to build an even stronger H&M and secure our continued expansion in the longer term. Among these are major long-term investments that we are making in order to seize the opportunities offered by increasing digitalisation.

Tell us more about the global rollout of online shopping at H&M.

– All our brands offer online shopping in a large number of countries. H&M's online store has expanded rapidly in recent years and is now available in markets in Europe, North America and Asia. We are very pleased with developments to date, and with the investments that we are making in order to improve our availability and service to our customers.

– For 2016 we are planning to offer e-commerce in another nine existing H&M markets; these will be Ireland, Japan, Greece, Croatia, Slovenia, Estonia, Latvia, Lithuania and Luxembourg. It means that by the end of the year, customers in 32 countries will be able to shop online at H&M.

In recent years the customer offering has also been broadened with a number of new brands and concepts. In 2015, for example, the new H&M Beauty concept was launched. How has it been received?

– H&M Beauty has got off to a very good start. It is a broad concept for cosmetics, body care and hair styling with a wide range of products. We began the launch in July and we have already added H&M Beauty into around 900 stores in 41 markets, as well as online. We are now planning its rollout to a further 300 stores in 2016.

How are the other brands in the group developing?

– We see great potential for all our fashion brands and the expansion is continuing for all of them. The main focus of expansion in 2016 will be on COS, which is now a globally established fashion brand with more than 150 stores in 30 countries. Also pleasing is the fact that our latest addition, & Other Stories, continues to be well received. We will also be adding more brands in the future. At the same time we are developing the offering within each brand, starting from each brand's unique identity as well as what they have in common – a passion for fashion, a focus on quality and the best price and a drive to dress customers in a sustainable way.

What does sustainability mean to H&M?

– I believe that companies that take responsibility for people and the environment will be the most successful in the long run. We want to continue to grow and make a positive contribution in the world, now and for future generations, and therefore sustainability is part of H&M's business idea and is integrated into our business. We have always focused on making good quality fashion available to as many people as possible – quite simply, democratising fashion and design. As far as we are concerned, working to make fashion sustainable for more and more people is the obvious thing to do. With our long-term approach and our scale, we have a fantastic opportunity to make this a reality. We have committed customers, employees and partners all over the world. Together we can be a positive force for change in the development towards a more circular and inclusive fashion industry.

Can you give a few examples of your sustainability work?

– One example is our work to improve working conditions and to bring about fair living wages in the supply chain, where we are collaborating with various local and global players to create conditions

that benefit workers throughout the whole textile industry. We also want to help customers to make more informed choices. In the Sustainable Apparel Coalition we are therefore working to achieve labeling across the industry that shows the social and environmental impact of each garment.

– We also work on long-term relationships with our suppliers and we publish our supplier list at hm.com, since greater transparency is an important tool for increased sustainability. We also publish a detailed sustainability report each year.

– We are switching to renewable electricity in our stores, offices and distribution centres and during the year we increased the percentage of renewable electricity in our operations from 27 percent to 78 percent. We have also increased the percentage of sustainable cotton in the product range. In our stores around the world we collect old garments for reuse and recycling, with the long-term aim of being able to close the loop for textile fibres.

Closing the loop for textile fibres – is that possible to achieve?

– We are only at the start of this development, but I believe that we will have to get there eventually. The planet's resources are limited, and efficient recycling will provide us with a supply of materials while at the same time saving natural resources. To be able to reuse textile fibres on a large scale we need new innovations, and we are collaborating with various experts and innovators who are developing promising technology for textile recycling. We are also pleased to see such great interest in our Global Change Award, the world's largest competition in the fashion industry that supports early innovations, which was established by the H&M Foundation. The first year's winners have been announced and the ideas range right from creating new textile out of citrus juice production by-products to using microbes to recycle polyester. So that is an exciting development.

A new year has begun. How do you see 2016?

– We will continue working all the time to get even better. We will expand within our growth target, which is to increase the number of stores by 10–15 percent per year with continued high profitability. For 2016 we plan a net addition of around 425 new stores, most of them in existing markets. We are also looking forward to opening our first stores in New Zealand, Cyprus and Puerto Rico, which means that by the end of the year H&M will be present in 64 markets.

– We will continue to follow developments in the market closely in each country where we are present. For 2016 we see many opportunities, but are also well aware of the challenges that exist. We firmly believe that our customer offering and our investments will lead to increased market share, and will strengthen our position even further during the year.

H&M opening in South Africa.



Karl-Johan Persson, CEO
H & M Hennes & Mauritz AB

Highlights of the year

2015 was another exciting fashion year with inspiring collections from all our brands. H&M opened stores in five new markets and expanded online into another ten countries.



JANUARY

GLOBAL SUSTAINABILITY YEARBOOK PRAISES H&M

For the second year in a row, RobecoSAM's Sustainability Yearbook 2015 named H&M as the Industry Mover in global retail. The Yearbook compared sustainability assessments for nearly 2,000 of the world's biggest companies in 59 industries. For each industry, the company that has made the most progress in its sustainability work during the year is named as Industry Mover.



FEBRUARY

H&M OPENS IN TAIWAN

H&M was enthusiastically received by customers in Taiwan, one of five new H&M markets in 2015. Over 1,200 people queued for the opening of the first H&M store at the Breeze Song Gao shopping centre in Taipei.

MARCH

H&M STUDIO ON THE PARIS CATWALK

Sport and futurism were themes as the H&M Studio A/W15 collection was presented to over 600 guests at the Grand Palais during Paris Fashion Week and shown live to a global audience on hm.com.

10 MORE H&M MARKETS SHOP ONLINE IN 2015

H&M's online store is available in more and more markets – hm.com opened in ten new countries during the year. By the end of 2015 customers in 23 markets could shop online, with expansion planned to continue at a rapid pace in 2016.

H&M Conscious Exclusive 2015.



APRIL

FASHIONABLE AND SUSTAINABLE

H&M Conscious Exclusive is a glamorous and carefully crafted collection showing that you can be both sustainable and fashionable at H&M. Hand-drawn patterns and recycled decorative beads and sequins embellished the collection's beautiful dresses in spring 2015. Materials such as organic silk, leather and linen were used in the collection.



MAY

HERALD SQUARE – THE WORLD'S BIGGEST

H&M's largest store to date opened on New York's Herald Square. Singer, songwriter and pianist John Legend entertained customers as they shopped at H&M's new flagship store in Manhattan.

PERU NEW H&M MARKET

The opening of H&M's first store in Peru drew queues of more than 2,000 people. On three levels of the Jockey Plaza shopping centre in Lima, the store has collections from all H&M's concepts.

H&M AT THE MET GALA

In 2015 H&M made its debut at the Costume Institute Benefit gala held annually by the Metropolitan Museum of Art in New York. Inspired by its theme "China: Through the Looking Glass", H&M collaborated with actress Sarah Jessica Parker in designing the dress that the fashion icon herself wore to the gala. The H&M team also created custom looks with a host of beautiful details for several of the guests.





JUNE

H&M HOME EXPANDS

More people can now shop for textiles and decorative items at H&M Home, which is available in 218 H&M stores in 42 markets and online. Expansion will continue with around 60 new H&M Home departments in 2016.

H&M OPENS IN MACAU

During the summer Macau became one of five new H&M markets this year, with stores in Shoppes at The Venetian and the Promenade Shops at Galaxy Macau.

JULY

H&M BEAUTY ON EVERYONE'S LIPS

The new H&M Beauty concept has had a fantastic reception since its launch and is already in over 900 stores in 41 markets as well as online. H&M Beauty offers good quality make-up, body care and hair styling products in a specially produced design, at the best price.

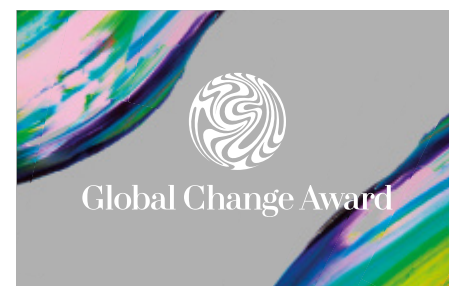


H&M opening in New Delhi.

AUGUST

GLOBAL CHANGE AWARD

The H&M Foundation established the Global Change Award to find the best ideas for closing the loop for fashion. Five winners share the prize of EUR 1 million. The Award aims to encourage innovations for a more circular fashion industry.



SEPTEMBER

NEW DENIM FROM RECYCLED FASHION

Old clothes are given new life as fibres in H&M's autumn denim collection. Since 2013 H&M stores around the world have been taking in discarded clothing for reuse and recycling in order to use resources more sustainably.



PARTNERSHIP FOR BETTER ANIMAL WELFARE

Animal welfare is important to H&M. In partnership with Humane Society International, one of the world's largest animal rights organisations, H&M hopes to drive better conditions for animals in the production of animal derived materials and a global ban on animal testing in the fashion industry.

OCTOBER

H&M OPENS IN INDIA

H&M's first store in India opened at the Select Citywalk shopping centre in New Delhi, attracting thousands of expectant customers right from its opening day.



NEW COUNTRIES FOR COS

With 153 stores in 30 countries and 19 online markets, COS is a globally established fashion brand. In 2015 COS opened in four new countries: Bahrain (via franchise), Luxembourg and Hungary as well as Canada, with stores in Toronto and Montreal.

SOUTH AFRICA NEW H&M MARKET

In South Africa H&M fans began queuing more than 24 hours before the opening of H&M's flagship store in the beautifully located V&A Waterfront shopping centre in Cape Town. A few weeks later Johannesburg's first H&M store opened at the Sandton City shopping centre.

NOVEMBER

GLOBAL AGREEMENT WITH INDUSTRIALL

H&M, IndustriALL Global Union and Swedish union IF Metall signed a global framework agreement as a basis for protecting the interests of 1.6 million textile workers in the supply chain. Well-functioning industrial relations and collective bargaining are key to achieving fair living wages and improved working conditions. The new agreement strengthens the work that H&M is already doing in this area.

& OTHER STORIES IN NEW LOCATIONS

Since its launch in 2013, & Other Stories has opened 30 stores in 10 countries. In 2015 the brand opened in several new locations in cities including Berlin, Aarhus, Bologna and London, as well as on Fifth Avenue in New York.



BALMAIN X H&M

The Balmain x H&M designer collection had everything that the French luxury fashion house is known for: exclusive embroidery, sharp silhouettes and a relaxed, cool style – the signature of Balmain's young creative director Olivier Rousteing. An amazing reception proved that H&M's designer collaborations continue to fascinate, surprise and be loved by customers all over the world.



Hannah Jenkins and the H&M Design Award jury.

DECEMBER

H&M DESIGN AWARD 2016

In December Hannah Jenkins of London was named as winner of the H&M Design Award 2016. A graduate of London's Royal College of Art, 24-year-old Hannah Jenkins was chosen from eight finalists by an international jury that included Kate Bosworth, Olivier Rousteing and Nick Knight. The H&M Design Award was founded in 2012, underlining H&M's strong commitment to the future of fashion. The winner gets a one-year mentorship from H&M, a prize of EUR 50,000 and the chance to sell pieces from their collection in selected H&M stores and online.



Balmain x H&M.

— OUR BRANDS —

Fashion for all

With several brands and concepts, the H&M group offers a wide and varied range of inspiring fashion. The collections include everything from the latest trends to timeless classics, so that customers all over the world can dress in their own personal style.



The H&M group offers fashion from the brands H&M, COS, & Other Stories, Monki, Weekday and Cheap Monday. All are clearly defined fashion brands, each with its own unique identity, and they complement each other well. The brands all share the same passion for fashion, and the ambition to dress customers in a sustainable way.

Together, they offer a wide variety of styles and trends at various price points. The collections have everything from the latest trends to timeless classics. All the brands strive to give customers the best value for money.

“Each brand has its own unique identity.”

The H&M group's customer offering is for anyone who likes fashion, wherever they are in the world. H&M has stores on six continents, while Monki, COS, & Other Stories, Weekday and Cheap Monday are also internationally established brands. All have their own stores and all offer online shopping in a large number of markets.

Read more about H&M and some of its many different concepts on pages 22–29. & Other Stories, Cheap Monday, COS, Monki and Weekday are presented on pages 30–34.



H&M



& other stories



MONKL



COS



WEEKDAY



H&M

3,610 stores

61 store markets

23 online markets

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

H&M's business concept is to offer fashion and quality at the best price in a sustainable way. H&M stores around the world as well as online offer everything from the latest trends to last- ing classics that customers will wear season after season. With collections for women, men, teenagers, children and babies, H&M's range of products also includes sportswear, underwear and cosmetics, accessories and shoes, as well as home textiles and decorative items from H&M Home. Continually refreshed to keep the range always up to date, the product range is also being broadened by extending the concepts. In 2015, for example, H&M Beauty was launched – a new, broad concept for make-up, body care and hair styling, with high quality value-for-money prod- ucts in a specially produced design.

H&M's fashions are created through teamwork, with different roles working together to create collections for customers the world over. Designers, buyers and pattern makers are just some of the people involved in the creative process. Everyone on the team is equally important. With different nationalities, backgrounds and experience, they draw inspiration from every corner of the world. New ideas come from influences as diverse as travel, films, art exhibitions and trend seminars, fashion shows and street style. The diversity of the collections allows custom- ers to combine pieces in unique reflections of their personal style, taste and needs for wear over a number of seasons. Sustainability is important to today's customers, and this is reflected in H&M's material choices among other things. More sustainable materials such as organic cotton, recycled polyester and recycled wool make up an increasing part of H&M's product range.



Left H&M has a global customer base and draws inspiration from all over the world. Campaign for one of H&M's collections for women, spring/summer 2016. **Above** The collections are created centrally in H&M's design and buying department in Stockholm where designers, pattern makers and buyers are some of the roles that work together. **Below and right** H&M offers a wide and varied range of inspiring fashion. The themes, colours, fabrics, silhouettes and garment types come together to create the new season's collections.





LADIES New items for the season, reinterpreted classics and stylish cuts – H&M's women's range has fashion for every style and occasion.



MEN Everything for the modern man's wardrobe – from tailored suits and the key pieces of the season to great everyday wear.



DIVIDED The latest fashions, where urban street style meets romantic influences – for guys and girls seeking a personal look with a dash of attitude.



KIDS Charming new styles and playful favourites for children of all ages – with a focus on function, safety and quality.



SPORT Highly functional sports collections for women, men and children. Quick-drying materials and smart details provide the perfect combination of fashion and function.



&DENIM Jeans are a key item in the fashion wardrobe. A wide range of different styles and washes make it easy to find the perfect denim look – for him or her, and for all ages.



HOME Textiles and decorative items in various styles create a personal space – from a rustic industrial vibe to the soft and romantic, from modern clean lines to colourful expressive prints.



SHOES A wide range covers everything from timeless designs and great everyday favourites to sporty trainers, long boots and open sandals.



ACCESSORIES Upgrade the look with bags, jewellery, scarves, hats and belts – in the finest leather and natural materials or in the season's latest colours and designs.



UNDERWEAR Everything from bras, briefs, bodies and shapewear in the season's latest colours and patterns to favourite basics in soft cotton. The men's range includes a wide range of shorts and briefs, socks and loungewear.



BEAUTY H&M's new and extended high quality beauty range offers make-up in all the shades of the season as well as hair styling, body care and make-up accessories. No products are tested on animals, and as a minimum all the products meet the requirements laid down in the laws and regulations of each sales market. The new Beauty range also includes a Conscious line of Ecocert products.

Launch of H&M Beauty began in July 2015, with the new concept enjoying a very good start. H&M Beauty is already in approximately 900 H&M stores in 41 markets as well as online.



“In its ateliers
& Other Stories
designs diverse
collections with
great attention to
detail and quality,
and always at a
good price.”



& Other Stories

30 stores

10 store markets

13 online markets

stories.com

& OTHER STORIES offers a wide range of shoes, bags, jewellery, beauty and ready-to-wear, bringing everything a woman can wear into one place and giving her the opportunity to create her own personal style. The range extends from masculine tailoring to feminine chic and offers endless styling possibilities. In ateliers in Paris and Stockholm diverse fashion collections are designed with great attention to detail and quality, and always at a good price.

& Other Stories was launched in March 2013 with stores in various European cities as well as online via *stories.com*, and today is also offered in the US.



2,000 retailers
in more than 35 markets
5 stores in 4 markets
18 online markets

cheapmonday.com

CHEAP MONDAY's collections mix influences from street fashion and youth subcultures with an edgy runway feeling. The modern denim range is the foundation of the brand, complemented by a full range of clothing and accessories for men and women at prices to suit every pocket.

Cheap Monday, which was established in 2004, has – like Monki and Weekday – been part of the H&M group since 2008. Cheap Monday is sold primarily via selected retailers around the world as well as online and also has a small number of iconic stores – in London, Paris, Copenhagen, Shenyang and Beijing.



COS

153 stores

30 store markets

19 online markets

cosstores.com

COS is a fashion brand for women and men looking for modern, functional, well-coordinated collections of high quality timeless pieces. Modern design and updated classics come together to create a broad range of clothing in exclusive materials at a good price. Quality and detail are present in every aspect of the brand, from the high level of customer service to beautiful packaging and the appealing store environment.

The first COS store opened on Regent Street in London in 2007. Today there are stores in Europe, Asia, North America and Australia – always in carefully selected locations. The stores are adapted to preserve the original features of the buildings while at the same time creating a modern, welcoming space.

In 2015 COS collaborated with Danish interior design company HAY. With their Scandinavian heritage, the two brands share a design language and values. The collaboration included handpicked products from HAY's collection that were sold in selected COS stores and at cosstores.com.



MONKI

106 stores

13 store markets

18 online markets

monki.com

MONKI is a fashion brand offering clothing and accessories through creative shopping experiences. The brand is primarily aimed at young women, but offers personal style for all ages.

The collections are inspired by today's fashions with a twist of Scandinavian and Asian street style, and above all by Monki's own customers and their expressive style. Monki opens the door to its own world of storytelling and colourful graphic design, online and on shopping streets and in department stores in Europe and Asia. In autumn 2015 Monki opened its 100th store worldwide in Shanghai's Crystal Galleria.



WEEKDAY®

20 stores

5 store markets

18 online markets

weekday.com

WEEKDAY is a modern and mindful fashion and denim brand offering current, international fashion influenced by Scandinavian style. Founded in Sweden in 2002, Weekday carries in-house brands as well as a selected offering of external designers. All Weekday stores have their own character, and most of them also have a DJ booth and a printing area for Storemade T-shirts. Since February 2015 all Weekday five-pocket jeans have been produced from sustainable cotton.



ALEK WEK - AMBASSADOR FOR
H&M FOUNDATION - IN H&M
MODERN CLASSIC SPRING 2015.

Together for a sustainable future

As a global fashion company with committed customers and employees, H&M is a positive force in the development towards a more circular and inclusive fashion industry. Progress is made possible by collaboration, openness and long-term commitment.



H&M is working to make sustainable fashion available to as many people as possible. As a global fashion company, H&M is dependent on a long-term supply of natural resources and stable sourcing markets. Working for increased sustainability is essential to the company's long-term success. This work is therefore an integral part of the business and includes aspects such as environmental issues, ethics and human rights. H&M's sustainability work covers the entire garment life cycle and also involves how the stores are run, how to get employees engaged and how to help customers make sustainable choices.

As a company with strong values and a long-term approach, H&M

uses its size and influence to bring about better conditions for people and to minimise environmental impact throughout the value chain. Progress is made possible through collaborations, innovation and greater transparency. Along with customers, suppliers, business partners, scientists, interest groups, decision makers and other companies, H&M is working all along the line – from creating the conditions for sustainable cotton production and promoting fair living wages for textile workers, through using renewable electricity, to encouraging customers to be climate smart when washing clothes and to recycle old clothing. For H&M, the goal is to be able to continue to grow and



Cotton workers in India.

create the best offering for its customers, to be an attractive employer of committed employees, to create jobs and to contribute to positive development in society.

THE SIGNIFICANCE OF TRADE

As a buyer and seller in many markets, H&M contributes to trade between countries. International trade creates employment and economic growth, which is particularly important for low-income countries because it lifts people and nations out of poverty.

Shopping at H&M contributes to jobs and development around the world. As well as H&M being a workplace for more than 148,000 employees, jobs are created throughout the value chain – largely in the Asian textile industry, where much of H&M's sourcing takes place. H&M does not have any factories of its own but instead outsources manufacturing to independent suppliers, which together employ around 1.6 million people. The majority of the suppliers' employees are women. For many women this is their first job that provides an income, their first work outside the home and so a first step to independence.

In Bangladesh, which has been an important sourcing market for H&M for many years, the export-led growth in the textile industry is said by the World Bank to be the main contributory factor to poverty having been halved in the country since 1990. The World Bank also states that in Cambodia, the textile industry has helped bring about higher wages for women. In a number of countries development has shown that over time, the jobs in the textile industry lead to further industrial development – resulting in increased productivity, a higher level of knowledge, greater specialisation and higher wages. The continued presence of long-term, responsible buyers is therefore vital to the future of these countries.

COLLABORATIONS AND GREATER TRANSPARENCY

H&M requires its suppliers to meet high social and environmental requirements and has long worked actively for a more sustainable supply chain. Important progress has been made but as in many other industries significant challenges remain in the textile industry in a number of countries. Since wages, working hours and safety are important issues for the whole industry, it is not enough for an individual company to be committed. To bring about lasting improvements that benefit workers throughout the industry, far-reaching collaborations are needed at both a local and a global level. This is why, among other things, H&M is driving work for fair living wages that is based on collaboration with other parties. More about this strategy can be found on page 40.

Transparency and traceability are important tools for making the textile industry more sustainable. H&M was one of the first fashion companies to publish its list of suppliers, which has been available at hm.com since 2013. To help customers make more informed choices H&M is also working towards new sustainability labelling for clothes. The project is being run by the Sustainable Apparel Coalition (SAC), where H&M is a member. The SAC is made up of a number of leading brands and experts who are together striving to create in the longer

term an industry standard for labelling that indicates the social and environmental impact associated with a particular garment. This will also enable H&M, as a buyer, to measure sustainability results for each product and work towards continual improvement throughout the value chain.

SWITCHING TO RENEWABLE ELECTRICITY

H&M takes a long-term approach, so all of the company's operations must be run in a way that is economically, socially and environmentally sustainable. As in other industries, climate change is a major challenge for the fashion industry. Renewable energy and environmentally smart transport are examples of how H&M is working to counter climate change.

In autumn 2015 H&M was actively involved in the UN Climate Change Conference in Paris to help secure the adoption of an ambitious climate change agreement. As part of this, H&M signed the Earth Statement – a global petition for eight ambitious climate goals written by 17 world-leading scientists as a challenge to the world's leaders ahead of the conference, where a new agreement on climate change was adopted at the end of the year. Among areas identified as fundamental by the petition are phasing out fossil fuels and greenhouse gases and promoting the development of climate innovations.

H&M has reduced emissions of greenhouse gases from its own operations considerably. Already in 2014 H&M achieved its internal goal of reducing greenhouse gas emissions in absolute terms by 2015 at the

“H&M helps create large-scale demand for renewable electricity.”

latest, despite continued rapid store expansion. In 2015 emissions were reduced by a further 56 percent. The halving of emissions is mainly thanks to H&M having switched to using 100 percent renewable electricity in all its stores, offices and distribution centres in all the markets where H&M's criteria for renewable electricity are considered met. For the group as a whole, this means that 78 percent of all electricity used globally comes from renewable sources – an increase from 27 percent in 2014. By creating large-scale demand for renewable electricity, H&M can help drive the development of sustainable energy solutions in more and more countries. This is why H&M is also a member of RE100, a global initiative working to substantially increase business demand for renewable electricity and helping to create better conditions for buying renewable electricity in more and more countries.

ORGANIC AND RECYCLED MATERIALS

To limit environmental and climate impact throughout the value chain, H&M is also increasing the share of sustainable materials in its product range. H&M is one of the world's largest users of organic cotton, for



▷ example, and is also using recycled materials to a greater extent. In stores around the world customers can bring in old clothing for reuse and recycling instead of throwing them away. As the raw material is reused, the garments collected help reduce consumption of water and chemicals as well as energy. Page 39 has more about H&M's work for sustainable cotton and on closing the loop for textile fibres.

In collaboration with WWF, H&M has also drawn up a global strategy for responsible water management throughout the value chain. In addition, H&M's chemical restrictions are among the most extensive and ambitious in the industry.

A large part of a garment's climate impact also occurs when the garment is washed and cared for, so the care labels for all the group's brands give information on how to be climate smart when washing the garments. Washing at 30 degrees rather than 60 degrees, for example, means a 50 percent energy saving.

“H&M is one of the world's largest users of organic cotton.”

Buying and selling globally means it is also important that the clothes are transported in a responsible way. Efficient logistics flows are essential, and the least-polluting method of transport must be used. In 2015 a total of 90 percent of the group's products were carried from suppliers to the distribution centres by rail or waterway.

INTEGRATED INTO BUSINESS PROCESSES

With sustainability being an integral part of the business, it is natural that every function in the company actively contributes to the sustainability work. Every year, each function and sales country sets its own measurable sustainability targets and activities, based on the direction indicated by H&M's central sustainability department. The sustainability department supports the other functions and also has around 20 experts who establish strategies, targets, key indicators and follow-up procedures for the whole company's sustainability work.

In the sales markets and other functions, around 50 employees focus primarily on sustainability. In the sourcing markets more than 130 employees work on ensuring that suppliers live up to H&M's requirements of good social and environmental conditions, and through various programmes and projects also support the suppliers as they develop towards improved sustainability.

MANAGEMENT AND BOARD

The head of H&M's sustainability department is a member of the executive management, reporting directly to the CEO. The CEO also drives strategic sustainability matters, and along with the executive management he is responsible for the sustainability strategy being implemented in the business. H&M's board of directors also discusses and addresses these matters regularly as part of long-term governance of the company. □



ZERO TOLERANCE OF CORRUPTION

H&M has zero tolerance of all forms of corruption – a principle that is strongly linked to H&M's values and is in line with the company's commitment to human rights and sustainable development. This commitment is supported by H&M's Code of Ethics, which was adopted in 2003 and is regularly updated. The code does not allow bribes or “facilitation payments”, for example. It is restrictive as regards hospitality and contains a no-thank-you-to-gifts policy.

All H&M employees affected and all suppliers have to sign the Code of Ethics before being appointed or before starting to work with H&M. The company provides information and training to both employees and suppliers. Corruption risk assessments are regularly carried out for all the company's business units. H&M also works actively to prevent, discover and remedy violations of the code and also takes responsibility for following up reported incidents thoroughly. The company also has a whistleblowing procedure for anonymous reporting of any violations.

Since 2013 H&M has also been a member of Transparency International Sweden as a Corporate Supporter. Transparency International is an independent global organisation working to combat corruption in all its forms and working for greater transparency in both public and private sectors. □

Visit hm.com for H&M's full Sustainability Report, which is based on the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) and is also reported in accordance with the UN Guiding Principles Reporting Framework (UNGP RF). The company's Code of Conduct (Sustainability Commitment), supplier list, policies and Code of Ethics can also be found here.

Closing the loop and sustainable cotton

H&M wants to create a sustainable fashion future. Helping to bring about better conditions for cotton growers globally is an important part of this work, as is recycling old clothing and home textiles.

For H&M, it is important to use natural resources responsibly and efficiently – and to actually use raw materials multiple times to create something new from what already exists. H&M is therefore working not just to increase the share of sustainable materials in its products, but also to use recycled textile fibres when creating new garments.

Cotton is H&M's most important raw material. H&M is aiming for all the cotton in its ranges to come from sustainable sources by 2020 at the latest. Sustainable cotton means either organic cotton – of which H&M is one of the world's largest users, recycled cotton – including from H&M's Garment Collecting initiative, or cotton grown under the Better Cotton Initiative (BCI) – which H&M was involved in establishing.

The BCI is working to make traditional cotton production better for the growers, better for the environment and better for the future of the whole industry by developing more sustainable cotton. As a company, H&M is one of the largest financial contributors to BCI. In 2010 the first BCI cotton was able to be harvested in India, Pakistan, Brazil and Mali. Since then more than a million growers in various countries have been trained in more sustainable cultivation methods, and the aim is to train five million people by 2020. More sustainable production means, for example, growing cotton using less water and fewer chemical fertilisers, pesticides and plant protection agents, and at the same time making it more profitable for the growers.

Over the past two years H&M has nearly doubled the share of cotton from sustainable sources to 31 percent of the total cotton used in 2015. The use of materials such as recycled polyester, recycled wool and organic wool is also increasing.

COMMITTED CUSTOMERS

In order to grow long-term within what is sustainable for the planet H&M wants to close the loop for fashion. The long-term aim is for all



fashion to be made from recycled and sustainable textile fibres.

An important step along the way is H&M's Garment Collecting initiative, which since 2013 has enabled customers to bring in old clothing and home textiles – of any brand and in any condition – to H&M stores globally. A total of 23,072 tonnes of clothing and textiles have been collected over the 2013–2015 period. Thanks to the customers' commitment, the materials live on – either in their original form or as something completely new. This reduces both the depletion of natural resources and other negative environmental and climate impacts.

In early 2014 H&M launched the first garments made of materials that included fibres recycled from collected clothing and this was followed up with a similar collection in autumn 2015. The aim is to gradually increase the number of garments containing fibres from collected garments.

INNOVATION AND DEVELOPMENT

New innovations are needed if textile fibres are to be able to be reused on a large scale. Currently it is only possible to mix 20 percent recycled textile fibres into new garments without compromising quality. When today's mechanical recycling can be replaced with tomorrow's chemical recycling it will be possible to mix a greater proportion of recycled fibres into the garments. H&M is collaborating with various experts and innovators that are developing promising technology for textiles recycling. □

H&M FOUNDATION WORKS FOR LONG-TERM POSITIVE CHANGE

The H&M Foundation is an independent, non-profit global foundation that works for long-term positive change for people and communities and to promote innovation. In 2015 the H&M Foundation established one of the world's biggest annual innovation competitions, the Global Change Award, with a view to leading the fashion industry towards a more circular economy. The aim is that new processes will be developed for how garments are designed, produced, transported, used and recycled. The jury includes scientist Johan Rockström, professor of Environmental Science at Stockholm University and director of the Stockholm Resilience Centre, and Rebecca Earley, professor of Sustainable Textile and Fashion Design at University of

the Arts London. The public was invited to vote on how to distribute the prize of EUR 1 million between the five winners. The foundation also works with Accenture and KTH Royal Institute of Technology in Stockholm to give the winners a year's support and knowledge for putting their ideas into practice. The first year of the competition generated just over 2,700 applications from 112 countries and the five winners were presented with their Global Change Award at a ceremony in Stockholm on 10 February 2016.

The H&M Foundation, in partnership with UNICEF, WaterAid and CARE, is also driving change within three global focus areas: education, clean water and strengthening women.

The foundation was established with a



SEK 60 million donation from H&M in 2007, to celebrate H&M's 60th birthday. Since 2013 Stefan Persson and family have donated SEK 900 million to the H&M Foundation. These donations allow the foundation to run global and local programmes on a large scale. □

Fair living wages and good working conditions

H&M's work in the supply chain is based on collaboration. The aim is that by working together, lasting improvements can be made that benefit workers throughout the textile industry.

H&M does not own any factories but instead has its products manufactured by around 820 independent suppliers, mainly in Asia and Europe. For H&M, it is important to develop lasting relationships characterised by trust and transparency with responsible suppliers who share H&M's values. Since 1997 H&M's Code of Conduct has laid down the social and environmental requirements that each supplier must comply with if they are to work with H&M. In addition to continuously monitoring suppliers' compliance with the code, H&M also sees it as its responsibility to support the suppliers in developing further within the area of sustainability. To do this even more successfully, H&M has introduced a new method that focuses on further strengthening partnerships with suppliers, with these taking greater ownership for developing their operations in a positive direction. H&M believes that working together with suppliers is an important part of creating lasting and long-term change.

WAGE BARGAINING AND COLLECTIVE AGREEMENTS

As the textile industry has grown, jobs have been created for millions of people in low income countries and poverty has reduced. It is important for the future of these countries that the labour market in the textile industry continues to develop and that the position of workers is strengthened. For H&M, a sustainable way of working includes helping to create a better functioning labour market with collective bargaining. This is essential not just for fair living wages and good working terms, but also for stable sourcing markets. Letting the voice of textile workers be heard, annual wage revisions, collective agreements and dialogue between the parties in the labour market benefit everyone – buyers such as H&M, the suppliers and their employees in the textile factories, trade unions and governments.

This is the essence of H&M's strategy for fair living wages, which is continuing to make progress. An important part of the strategy is the Fair Wage method. In 2015 implementation began at 68 suppliers. One goal is for all H&M's strategic suppliers – who account for around 60 percent of H&M's total production – to have functioning wage structures in place by 2018. The basic principle for H&M is that all textile workers, regardless of which company they are producing for, must have fair living wages and good working conditions. In 2015 H&M therefore signed a global framework agreement with IndustriALL Global Union and Swedish union IF Metall. Since wages are an issue affecting the whole textile industry and not something that one company can resolve alone, this collaboration is an important step forward towards sustainable development of the textile industry at a global level.

The basis of this joint approach – that the parties in the labour market should negotiate the terms between themselves – is the Swedish model, in which employers' organisations and trade unions regulate significant parts of the terms of employment through collective agreements. This is key to a sustainable textile industry. It is a complex issue, however – not least since there is no history or experience of good labour market dialogue in many of the countries where H&M is a buyer.



Textile worker in Dhaka, Bangladesh.

GREATER KNOWLEDGE OF RIGHTS

As part of its wage strategy, H&M is conducting a number of collaborative projects in countries such as Bangladesh, Cambodia and China – in some cases jointly with Sida (the Swedish International Development Cooperation Agency) and the ILO. Some of these projects aim to increase knowledge concerning the rights and obligations of textile workers and employers. Others are aimed at increasing opportunities for good conflict resolution and collective bargaining. There are also projects aimed at ensuring that textile workers' experience and training actually has a bearing on their pay level.

“For H&M it is important to develop lasting relationships with the suppliers.”

H&M is also working with other brands to drive development; for example, 14 brands and IndustriALL have produced joint principles for addressing the issue of living wages in the textile industry effectively.

A genuine commitment from national governments is also essential when working to achieve fair living wages. It is the governments that are ultimately responsible for setting the legal frameworks, and which also ensure that wages are revised annually and that minimum wages are set. Thanks to H&M's size and active presence, the company's CEO Karl-Johan Persson has been able to meet government representatives to discuss these matters. This dialogue will continue.

Another cornerstone of the wages strategy is for products to be purchased in a way that helps suppliers to pay fair living wages and offer good working conditions. For example, by continually improving systems for production planning, H&M can make it easier for suppliers to plan their capacity – thereby both reducing overtime and enabling employees to have secure employment. □

AWARDS AND INDEXES

H&M's sustainability work has been noticed by those outside the company. In 2015, for example, H&M won a Libby Award for the most animal-friendly clothing company from the youth group of global animal rights organisation PETA. In the US, H&M was a winner of a Green Power Leadership Award from the United States Environmental Protection Agency. For the second year in a row, RobecoSAM named H&M as "Industry Mover" in global retail and for the fifth year in a row H&M was named as one of the world's most ethical companies by the Ethisphere Institute. H&M is included in various sustainability indexes, including the Dow Jones Sustainability World Index, the DJS Europe Index and the FTSE4Good.

Targets and key indicators

H&M conducts systematic, targeted sustainability work throughout the value chain. The results are reported in detail in H&M's annual sustainability report. Here are seven selected key indicators showing developments in some important areas.

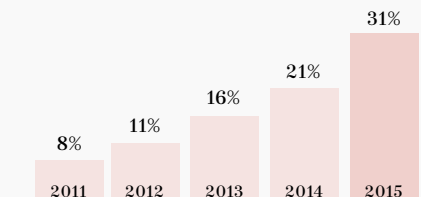
MORE SUSTAINABLE MATERIALS

GOAL

By 2020 all cotton in the range is to come from sustainable sources – in other words organic cotton, recycled cotton or cotton grown under the Better Cotton Initiative.

RESULT

H&M has increased the share of cotton from sustainable sources from around 8% in 2011 to 31% in 2015.



A CLOSED LOOP FOR TEXTILE FIBRES

GOAL

An annual increase in garments collected for reuse and recycling by H&M's Garment Collecting.

RESULT

12,341 tonnes of clothing were collected in 2015, which is an increase compared with the 7,684 tonnes of clothing collected in 2014.

23,072 tonnes
collected clothing
2013–2015

REDUCE EMISSIONS OF GREENHOUSE GASES

GOAL

Reduce total emissions of greenhouse gases from own operations by 2015 at latest in absolute terms from the previous year, despite H&M's continued expansion. Emissions are to be kept at a minimal level in the future.

RESULT

In 2014 H&M achieved its goal of reducing greenhouse gas emissions in absolute terms by 2015 at the latest. In 2015 emissions were cut to 151,753 tonnes from 341,675 tonnes in 2014, mainly thanks to the switch to renewable electricity.



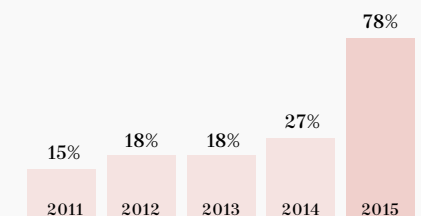
RENEWABLE ELECTRICITY

GOAL

100% of all electricity used in the group's own operations is to come from renewable sources.

RESULT

In 2015 100% renewable electricity was used for the group's own operations in all markets where H&M's criteria for renewable electricity are considered met. For the group this means that 78% of all electricity used globally was renewable.



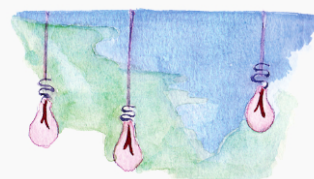
REDUCE ENERGY USE

GOAL

To reduce energy consumption per square metre in H&M's stores by 20% in total by 2020, compared with 2007.

RESULT

Electricity consumption in H&M stores decreased by 8% between 2007 and 2015. The rate of decrease was lower than previously, partly due to the addition of video screens in the stores.



COMPLIANCE WITH THE CODE OF CONDUCT

GOAL

Each year the suppliers must increase their score on a scale of 1 to 100 for compliance with H&M's Code of Conduct beyond the high minimum requirements that are also laid down in the Code.*

RESULT

Suppliers' scores increased from an average of 81 points in 2014 to 82.2 points in 2015. H&M's strategic suppliers increased their score from 82.7 in 2014 to 83.6 in 2015.*



ANTI-CORRUPTION

GOAL

To discover all violations of H&M's Code of Ethics.

RESULT

In 2015, 33 suspected violations of the Code of Ethics were investigated. These investigations led to action being taken in 25 cases. The action taken involved both employees and suppliers.

The seven key indicators on this page (page 41) have been generally reviewed by the company's auditors. For the auditor review statement see H&M's sustainability report for 2015.

* Result as of 31 May 2015. Thereafter a new method, the Sustainable Impact Partnership Program, began to be introduced. For more information see H&M's sustainability report for 2015.

— OUR EMPLOYEES —

Every employee makes a difference

Employees' commitment is the key to the H&M group's success.
Strong shared values help create an open and dynamic workplace where colleagues
from all over the world can grow and develop together.



With a customer offering that appeals to fashion fans worldwide, it is only natural that the H&M group has a diverse team of employees. Colleagues from different backgrounds, with different interests and experience help create a breadth and variation that is reflected in the group's various brands and concepts.

Every employee makes a difference in the work to create the best offering and the best customer experience. Everyone can contribute their own ideas and perspectives. What unites everyone is a passion for fashion and strong shared values. These values help create a unique corporate culture. They have existed ever since the first store opened in 1947 and continue to permeate the company. The values are based on fundamental respect for the individual and a belief in people's ability to use their own initiative. There is openness to new ways of thinking and a striving for continual improvement throughout the company. Simplicity, cost-consciousness and teamwork are other examples of values that contribute to the down-to-earth culture. Sharing these values means colleagues from all over the world can work together at a fast pace, rely on each other's knowledge and capabilities, and develop together.

INFINITE CAREER OPPORTUNITIES

Taking responsibility also helps generate a high level of commitment in every part of the company. Therefore the employees are encouraged to set themselves goals for their development.

Each employee can choose their own journey within the H&M group; no career path is staked out in advance and there are numerous options. Within sales alone, there are many different roles. Sales advisors, visual merchandisers, department managers and store managers work together in stores around the world. A wide range of roles is also available in other areas such as design, buying, sustainability, production, distribution, expansion, shopfitting, online, IT, HR and finance. Many roles – such as project manager or controller – are transferable jobs that exist within different functions and in most of the countries.

As a global fashion group in an industry that is constantly changing, the right people must always be in the right place at the right time. Employees are therefore encouraged to move around within the company to try out new tasks and challenges. Switching between different markets, functions and brands develops employees and is beneficial for their future careers. When employees are given opportunities to share their experience and test their skills in a new setting, they learn from each other and develop both professionally and on a personal level.

LEADERSHIP AND DEVELOPMENT

Both newly recruited employees and existing team members need to feel stimulated and be motivated to stay with the company and continue their career there. Various training programmes and a focus on feedback and dialogue enable employees in every area to develop.

Most of the group's managers were recruited internally. Great emphasis is placed on enabling managers to grow within their roles



“Leadership at H&M is about inspiration, delegation, feedback and motivation.”

and to lead by example, based on the H&M group's shared values. An important success factor is that leaders actively contribute to a culture in which what is achieved is just as important as how it is achieved. The key words are inspiration, delegation, feedback and motivation – all aimed at a coaching style of leadership that encourages and supports individuals in achieving their goals.

FUTURE TALENT

Expansion generates energy and dynamism, and the fast pace of recruitment continues. It is essential that new recruits share the group's values, as well as being keen on fashion and having a positive attitude and a business-minded approach. It is important to attract talent that will grow with the company by taking on new challenges and responsibilities straight away. Committed employees with strong shared values are the key to the H&M group's success. □

OUR SHARED VALUES

We believe in people

We are one team

Constant improvement

Straightforward and open-minded

Entrepreneurial spirit

Keep it simple

Cost-consciousness



H&M's creative studio.

A world of opportunities

When H&M expands, the group takes its values with it – giving employees exciting opportunities to develop in an international arena.

H&M's global presence is increasing and this expansion is creating new jobs around the world. In 2015 alone the group recruited 16,000 employees net, with new stores opening both in existing markets and in new countries. The key to this success is committed employees and the strong corporate culture that exists throughout the company. When H&M expands, there is an exchange between markets as employees from established markets pass on their experience to colleagues in new countries and act as ambassadors for H&M's shared values. Before opening in a new country, employees from various markets help out with everything from recruitment and training to unpacking products and displaying them in the stores. Everyone works together, reinforcing H&M's shared values and maintaining the culture.

One of the new markets in 2015 was South Africa. Before the first stores opened in Cape Town and Johannesburg, colleagues from Sweden and other countries travelled to South Africa as mentors. At the same time, newly recruited colleagues from South Africa came to Stockholm to learn how to do the work in practice. "There were a number of us who went – the teams we worked with in Sweden were fantastic, and we took the H&M culture back home with us," says Liyanna Basini from Cape Town, where she works as a visual merchandiser in the Home department at H&M's store at the V&A Waterfront shopping centre. In her role as a visual merchandiser Liyanna is responsible for the collections being presented in a way that is inspiring and commercial, in window displays and in the store. "I love fashion and interior design, and what attracted me to H&M was the



Liyanna Basini and Cheslyn Cupido in Cape Town.

opportunity to work in the fashion world on an international level," Liyanna says.

"The jobs that H&M is creating here are also good for South Africa's development," she says. "Young people are asking me every day how they can get a job at H&M."

At the end of the year H&M also opened a large store in Johannesburg, in the Sandton City shopping centre. One of those recruited there was Ellen Montsho. For her role as department manager she too completed a period of training and work experience in store in Stockholm. "Something that

"Something that really has made an impression on me is how everyone helps each other."

really made an impression on me was how everyone helps each other. Whatever people's job title or role, everyone does whatever needs doing at that particular time. There is a humbleness that I haven't seen in other companies and it makes me proud to work at H&M."

Ellen's colleague Johannes KB Maimaila, also from Johannesburg, agrees. "Gaining work experience in real time brought H&M's shared values to life for me. At H&M



Anton Kouba and Ellen Montsho.



“Shared values and taking responsibility help generate a high level of commitment.”

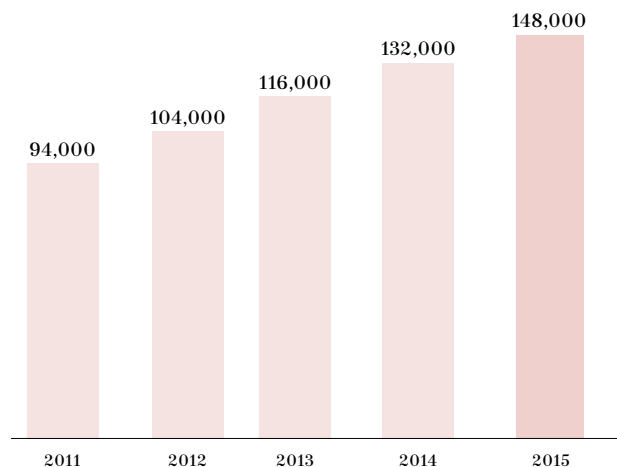
you are never on your own in your role and although the stores are fast-paced, you can tell that people are looking out for each other.”

The mentors also benefit from new experiences. Isabel Knell, a visual merchandiser at a store in Stockholm, is one of those who went to South Africa to help out. “I’ve worked for H&M for many years and the exchange taught me to appreciate things that those of us who have been here for a long time may take for granted, like the fact that we are straightforward and open with each other and give each other feedback directly. As a mentor in South Africa I realised that wow, these values are really a part of me.”

Mentorship also provides an exciting opportunity for career development. “It’s a fantastic chance to travel and see the world,” says Anton Kouba, as he heads to Cape Town to provide support to newly recruited sales advisors.

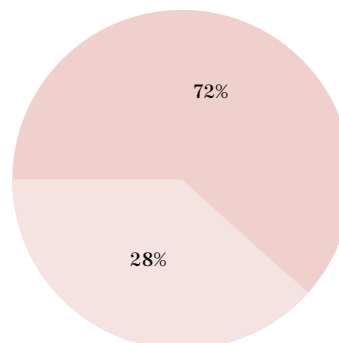
“The whole experience will be a journey for me, both personally and in my career.” Anton usually works in the same store as Isabel. “But you don’t have to come from a big city store. You get the same opportunities wherever you work.” □

TOTAL NUMBER OF EMPLOYEES



In 2015 alone 16,000 new jobs were created within the H&M group, which today employs more than 148,000 people.

WOMEN IN POSITIONS OF RESPONSIBILITY



In 2015, 76 percent of the average number of employees in the group were women and 24 percent were men. Women held 72 percent of the positions of responsibility in the company, such as country managers and store managers.

THE H&M INCENTIVE PROGRAM – FOR ALL EMPLOYEES

The employees are the key to success for the H&M group. To show their appreciation, in 2011 the Stefan Persson family took the initiative to establish a unique incentive programme by donating just over 4 million H&M shares worth approximately SEK 1 billion. Known as HIP (the H&M Incentive Program), the programme acknowledges employees’ daily commitment and long-term participation. HIP works the same way for everyone in the H&M group – regardless of salary or role, which country they work in, or whether they work full-time or part-time.

HIP allows employees who have worked within the H&M group for at least five years to share in any increase in company profits. HIP receives a contribution from the H&M group that is based on 10 percent of the increase in profit after tax between two consecutive financial years (before the allocation to HIP). For the 2014/15 financial year HIP was allocated SEK 75 million. The entire amount is invested in H&M shares. 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. Rules on payouts may vary in some countries due to local legislation. □

At career.hm.com, you can read more about the different roles and career opportunities within H&M. There is also information about the various benefits that the employees of the group enjoy. More information about career opportunities at COS, & Other Stories, Weekday, Monki and Cheap Monday are to be found at the website of each brand.

A dream job in Hong Kong

As store manager she is one of the team in Causeway Bay. Meet Candy Choi, responsible for H&M's new global flagship store in Asia.

When the first H&M store in Singapore opened in 2011, people queued round the block for the long-awaited opening. The keenest fashion fans even spent the night outside the Orchard Road store to be the first to shop at H&M. Candy Choi from Hong Kong was among those working on the opening day. Like many other colleagues from various H&M countries, she had travelled to Singapore to help with preparations in the new market.

"The work was pretty intense for us all, and it was a fantastic opening. When we were finally able to welcome the customers in, it awakened a dream in me: I wanted to become a store manager myself and get the chance to open a big store one day," says Candy.

Soon her dream became true. Just the following year Candy became store manager at one of H&M's many Hong Kong stores and in October 2015, as H&M opened the new flagship store in Causeway Bay, it was Candy who cut the ribbon, making her the manager of one of H&M's largest stores – in one of the world's hottest shopping districts. "I love working in store. It's where we meet the customers, and they inspire us and give us direct feedback on what we're doing."

Candy began her store career in 2007 when she got a job as a sales advisor in the accessories department of H&M's first store in Hong Kong. After just nine months she was given more responsibility as head of the ladieswear and childrenswear departments, and in time she became assistant store manager. "There are so many opportunities at H&M. My managers always encouraged me, and my responsibilities have grown along with the company," says Candy.

Expansion has been fast in Asia and even early on in her career Candy got to provide support when new stores were established in the region – something she has continued with as a store manager. When Taiwan and Macau became



Candy Choi outside H&M's store in Causeway Bay.

new H&M markets in 2015, Candy helped with recruitment and training of both managers and sales advisors.

"Travelling and meeting new people has developed me as a manager and as a team player. I've learnt a lot that I find very useful back home as well."

"There are so many opportunities at H&M, and my managers have encouraged me all along the way."

In her role as store manager Candy is one of the team in Causeway Bay. "All of us on the team set an example to each other, and I'm one of them. Our customers have high expectations and what motivates me most is working together to give our customers the best service. We are very proud of our store and we've got off to a really good start here." □



GOOD WORKING RELATIONS

The business of the H&M group is based on great respect for the individual, which covers many aspects – from fair pay, reasonable working hours and the freedom to join trade unions to equal opportunities for everyone to grow and develop within the company. All the company's workplaces must be open and inclusive, with human rights being respected and colleagues treating each other with integrity, respect and humbleness. H&M has a highly ethical approach. This means the company takes a clear stand against discrimination and harassment wherever it operates.

H&M must be a good employer everywhere that the company operates. This places particularly high demands on H&M in those countries where laws and regulations fall short of H&M's own standards and requirements. The company strives to maintain good relations with employees, as well as the workers' organisations and trade unions that represent them. H&M believes in open doors and allowing people to express their opinions freely, so all employees can discuss any work-related matters with their managers. □



— EXPANSION —

A fashion destination around the world

Expansion continues in both new and existing markets, across all the fashion brands of the H&M group. In parallel with the opening of new stores and online markets, the product range is being extended with new collections and concepts.



COS in Sydney.

H&M continues to expand at a rapid pace, reaching people who like fashion the world over. Today there are around 4,000 stores in 61 markets and the group includes the brands H&M, COS, & Other Stories, Monki, Weekday and Cheap Monday. In the 2015 financial year the group expanded at a rate of more than one new store per day. H&M also moved into five new markets with its first stores in Taiwan, Peru, Macau, India and South Africa. Alongside this, the global rollout of H&M's online store continued. Online shopping is available in a total of 23 markets in Europe, Asia and North America.

H&M's offering attracts customers the world over, with collections that are just as popular in the big fashion metropolises as in smaller towns – providing great expansion opportunities in both new and existing markets. In 2015 a net total of 413 new stores were added across the brands. Most new stores were opened in existing markets, with China and the US the largest expansion markets.

H&M has been in the US since 2000, and in 2015 the world's largest H&M store so far – nearly 6,000 square metres of inspiration – opened on New York's Herald Square. New flagship stores also appeared in many other locations, such as H&M's largest store in Asia to date: in Causeway Bay, Hong Kong, which opened in October.

In order that the stores are in the best shopping locations at all times, H&M does not own any store premises but instead takes leases. This provides the flexibility to continually review the location of the stores. The customers must always get an inspiring experience in a modern, fresh store environment. H&M also works actively to make



Opening in Taipei, H&M's first store in Taiwan.

“Rapid expansion continues: 413 new stores net opened in 2015 and five new H&M-markets were added.”

both new and existing stores more sustainable in the long term – for example, by choosing more environmentally friendly materials such as certified wood or recycled materials – and to reduce electricity consumption and use electricity from renewable sources.

FROM LIMA TO NEW DELHI

The new stores opened in 2015 were very well received in both new and existing markets. The February opening of the first store in Taiwan was one of the most successful for H&M to date. Located in Taipei's Breeze Song Gao shopping centre, it was followed by a further five stores in Taiwan during the year. Peru also became a new H&M market, with queues of more than 2,000 people building up as enthusiastic customers waited for the doors of Lima's first store to open. Spread across three levels of the Jockey Plaza shopping centre, it is one of the largest H&M stores in the world. ▶



H&M in Causeway Bay, Hong Kong.



H&M's first store in Peru, in Jockey Plaza, Lima.



Above COS in Costa Mesa, California. **Left** Weekday in Copenhagen. **Below** Martino Pessina, head of global expansion. **Far below** Opening of Monki's 100th store, in Shanghai. **Right** & Other Stories on Fifth Avenue, New York.



“With stores in 30 markets COS is a globally established fashion brand.”

- ▷ 2015 also saw H&M's first store in New Delhi in India, which opened in the Select Citywalk shopping centre in October. Over 2,500 people queued to be the first to shop at H&M. Later in the autumn H&M opened a second store in New Delhi, at the Ambience Mall. H&M was also a long awaited arrival in South Africa, with more than 1,500 customers keenly queuing for the opening of H&M's first store in Cape Town at the V&A Waterfront centre – one of South Africa's most visited shopping destinations. Since this first store opened in October 2015 a second H&M store has opened at the Sandton City shopping centre in Johannesburg, which likewise had a great reception.

NEW BRANDS GROW

A lot has happened since 1947, when the very first store – Hennes, selling ladieswear – opened in Västerås, Sweden. Today there are stores on six continents and H&M has been joined by a number of new fashion brands. COS was launched in 2007, the following year H&M acquired



the brands Weekday, Monki and Cheap Monday, and in 2013 & Other Stories opened its first stores. Each brand has its own identity, which is reflected in the design of the various stores.

2015 saw a major focus on expanding COS and & Other Stories. COS opened an additional 39 stores and moved into four new markets: Bahrain (via franchise), Luxembourg, Hungary and Canada, with COS stores opening in both Toronto and Montreal. With a total of 153 stores in 30 countries, COS is a globally established fashion brand. & Other Stories opened 13 new stores in existing markets, including its largest store to date on Fifth Avenue in New York. Today & Other Stories has 30 stores in ten markets. During the year Monki also passed a milestone with the opening of its 100th store in Shanghai, China.

H&M's PRODUCT RANGE EXPANDS

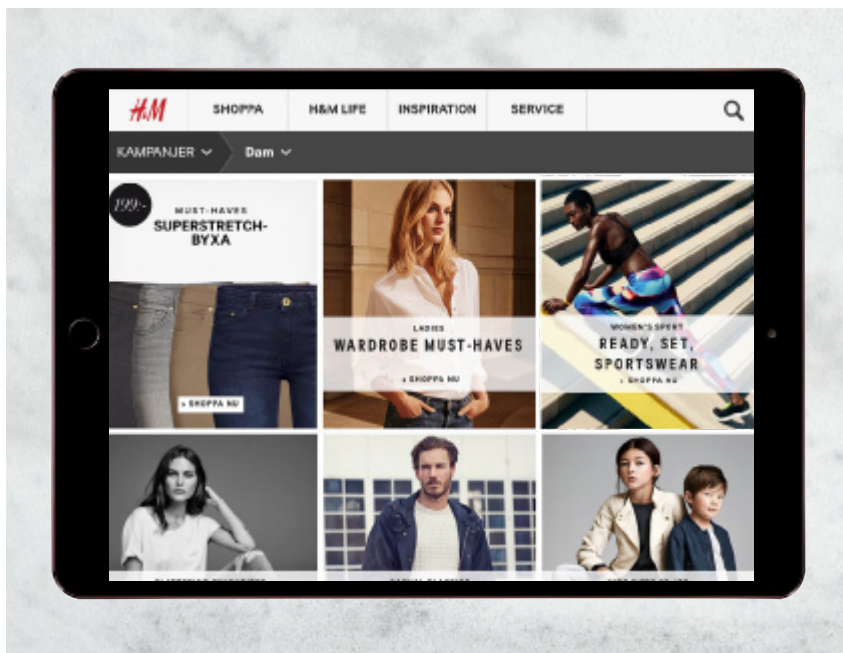
Long-term investments are also being made in broadening the product range in the H&M stores. The launch of H&M Beauty, the new beauty concept, began in July 2015. This has got off to a very good start, and by the end of the year H&M Beauty products could be bought in approximately 900 stores in 41 markets as well as online. H&M's product range also widened in 2014 with an extended shoe collection and a wider sportswear collection, H&M Sport. Introduced in 2009, the H&M Home concept is also continuing its expansion. ▶



Opening of H&M's new flagship store in Athens.



Left Opening of H&M's first store in South Africa. Above Opening in New Delhi, H&M's first store in India. Right COS in Seoul. Below H&M's online store. Below right H&M in Taipei.



“H&M's online store is available in 23 markets and will open in a further nine markets in 2016.”

► SHOP ONLINE IN MORE MARKETS

H&M is also expanding fast online, with hm.com one of the most visited fashion sites in the world. H&M's popular webshop is interactive, easy to navigate and fully mobile-adapted, and investments have continued in order to further increase availability and service for customers. In 2015 H&M extended online shopping into another ten existing H&M markets: Portugal, Poland, the Czech Republic, Romania, Slovakia, Hungary, Bulgaria, Belgium, Switzerland and Russia. This meant that online shopping was available in 23 H&M markets at the end of the year.

The group's other fashion brands are likewise continuing to reach more and more customers through online stores. COS customers can shop online in 19 markets, while Monki, Weekday and Cheap Monday have online stores in 18 markets and & Other Stories in 13 markets.

EXPANSION IN 2016

H&M is expanding while maintaining a focus on quality, sustainability and high profitability. The group's successes and good performance over the years have put it in a strong financial position, giving H&M the freedom to seize new opportunities as they arise.

H&M is positive as regards the group's continued expansion and business opportunities, which it sees as continuing for many years to come. H&M aims to increase the number of stores by 10–15 percent per year, so strong store expansion is anticipated again in 2016 with a planned net addition of 425 stores. Store number 4,000 will open this spring, which means the number of stores will have doubled in only six years. Store number 2,000 opened in Japan in 2010 and just three years later H&M opened store number 3,000, in China.

In 2016 most of the new stores will be in existing markets, with China and the US expected to once again be the largest expansion markets. H&M is also planning to open stores in three exciting new markets this year: New Zealand, Cyprus and Puerto Rico.

The rollout of H&M's online store will also continue. During 2016 H&M plans to offer e-commerce in a further nine of H&M's existing markets: Ireland, Japan, Greece, Croatia, Slovenia, Estonia, Latvia, Lithuania and Luxembourg.

All the group's brands have real growth potential. In 2016 the main expansion focus will be on COS, which will open most of its new stores in existing markets and also add five new markets: the Czech Republic, Romania, Latvia, Malaysia and Saudi Arabia (via franchise). & Other Stories, Monki and Weekday will also grow by opening stores in both new and existing markets. □



H&M on Herald Square
in Manhattan.

Market overview

*With several fashion brands, a total of 3,924 stores in 61 markets and e-commerce in a large number of countries the H&M group has a strong global position.
In 2015, sales including VAT totalled SEK 210 billion.*


MARKET	SALES 2015 INCL VAT (SEK M)	SALES 2014 INCL VAT (SEK M)	NEW STORES (NET) DURING YEAR	NUMBER OF STORES 30 NOV 2015
Germany*	36,943	34,950	9	449
USA*	25,135	17,278	59	415
United Kingdom*	16,001	12,993	11	264
France*	13,579	12,321	17	222
China*	10,559	7,495	83	353
Sweden*	9,495	8,923	0	176
Italy*	8,644	7,140	18	150
Spain*	7,736	6,748	6	165
Netherlands*	7,521	7,320	4	139
Switzerland*	6,844	5,951	3	96
Norway*	5,806	5,650	2	120
Denmark*	5,413	5,105	4	103
Austria*	5,361	5,165	5	78
Poland*	4,356	3,735	14	154
Belgium*	4,215	3,903	7	85
Canada	3,918	3,116	6	78
Japan	3,754	3,356	6	57
Russia*	3,460	3,058	25	96
Finland*	2,805	2,688	0	60
Turkey	2,193	1,325	16	46
Hong Kong	1,870	1,548	4	25
Romania*	1,796	1,281	4	42
Greece	1,637	1,327	2	32
Hungary*	1,336	1,055	5	40
South Korea	1,277	990	9	31

MARKET	SALES 2015 INCL VAT (SEK M)	SALES 2014 INCL VAT (SEK M)	NEW STORES (NET) DURING YEAR	NUMBER OF STORES 30 NOV 2015
Portugal*	1,276	1,105	0	30
Czech Republic*	1,207	969	1	44
Australia	1,133	458	7	10
Mexico	1,097	598	10	16
Ireland	1,026	811	3	23
Malaysia	973	677	11	29
Singapore	970	794	2	12
Croatia	817	773	1	15
Slovakia*	579	436	3	18
Chile	573	350	3	4
Philippines	557	49	9	12
Slovenia	529	496	0	12
Bulgaria*	511	389	2	18
Luxembourg	433	418	0	10
Taiwan	332		6	6
Serbia	318	245	1	6
Estonia	312	223	0	6
Latvia	309	245	0	6
Lithuania	296	216	1	7
Peru	261		2	2
South Africa	98		2	2
Macau	89		2	2
India	77		2	2
Franchise**	4,494	2,947	26	156
Total	209,921	176,620	413	3,924

* Market where H&M offers e-commerce.

** United Arab Emirates, Kuwait, Qatar, Saudi Arabia, Egypt, Bahrain, Oman, Lebanon, Israel, Morocco, Jordan, Thailand and Indonesia.

Store count per brand 2015

	<i>H&M</i>	<i>& other Stores</i>	<i>COS</i>	<i>MONKI</i>	<i>WEEKDAY</i>		GROUP TOTAL
New stores net during the year	349	13	39	14	-2	0	413
Number of stores 30 Nov 2015	3,610	30	153	106	20	5*	3,924**

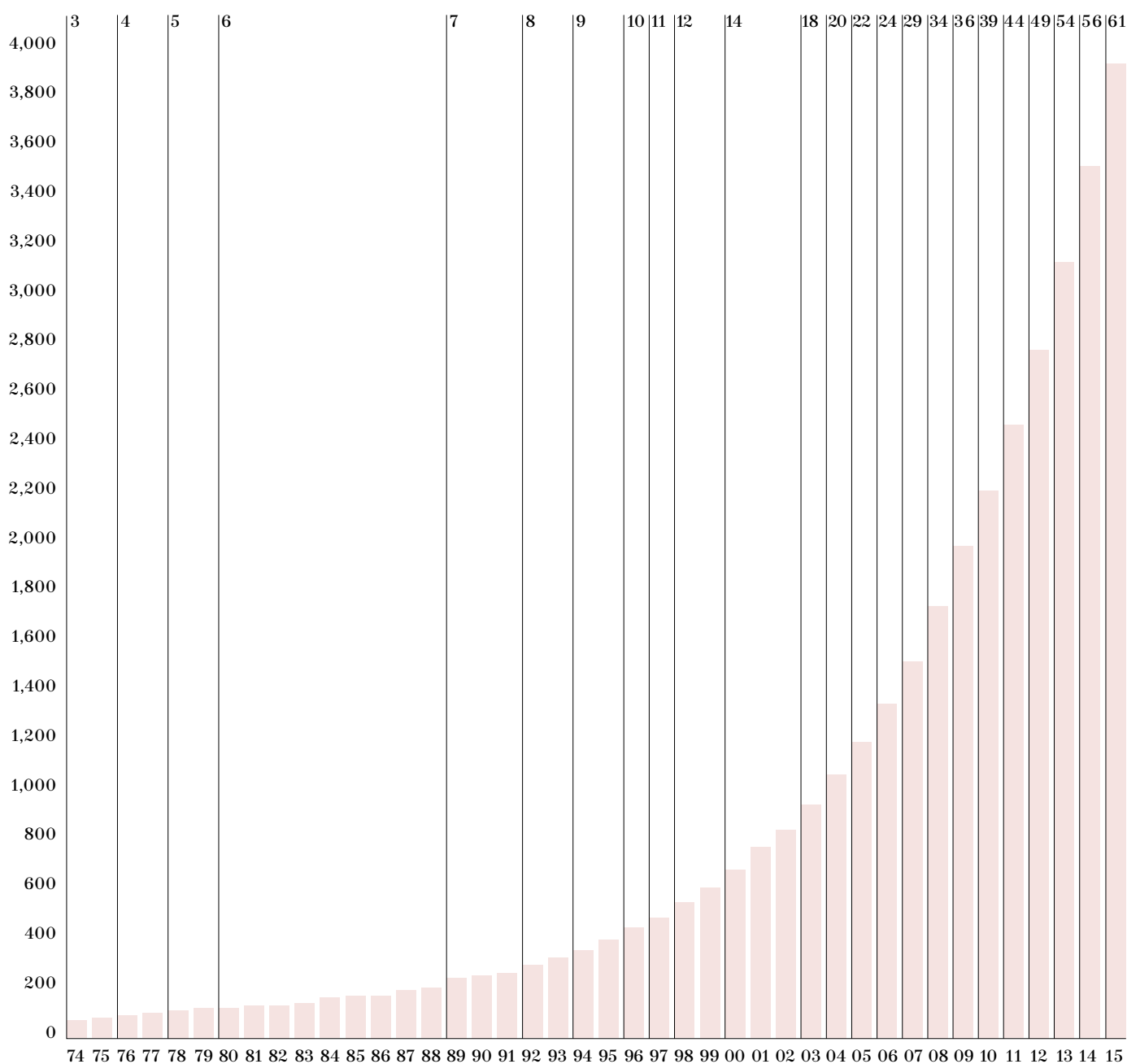
* Cheap Monday is offered mainly via 2,000 retailers in more than 35 countries.

** 156 of the group's stores are franchise stores.

Expansion 1974* – 2015

NUMBER OF STORES

NUMBER OF MARKETS



* Since IPO 1974.

YEAR

Five year summary

1 DECEMBER – 30 NOVEMBER

THE FINANCIAL YEAR	2015	2014	2013	2012	2011
Sales including VAT, SEK m	209,921	176,620	150,090	140,948	128,810
Sales excluding VAT, SEK m	180,861	151,419	128,562	120,799	109,999
Change from previous year in SEK, %	+19	+18	+6	+10	+1
Change from previous year in local currencies, %	+11	+14	+9	+11	+8
Operating profit, SEK m	26,942	25,583	22,090	21,754	20,379
Operating margin, %	14.9	16.9	17.2	18.0	18.5
Depreciation for the year, SEK m	6,399	5,045	4,191	3,705	3,262
Profit after financial items, SEK m	27,242	25,895	22,448	22,285	20,942
Profit after tax, SEK m	20,898	19,976	17,093	16,867	15,821
Cash and cash equivalents and short-term investments, SEK m	12,950	16,693	17,224	17,143	21,277
Stock-in-trade, SEK m	24,833	19,403	16,695	15,213	13,819
Equity, SEK m	58,049	51,556	45,248	43,835	44,104
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	12.63	12.07	10.33	10.19	9.56
Shareholders' equity per share, SEK*	35.07	31.15	27.34	26.49	26.65
Cash flow from current operations per share, SEK*	14.54	14.60	14.40	11.42	10.53
Dividend per share, SEK	9.75**	9.75	9.50	9.50	9.50
Return on equity, %	38.1	41.3	38.4	38.4	35.8
Return on capital employed, %	49.3	53.1	50.0	50.3	47.1
Share of risk-bearing capital, %	72.7	72.5	73.0	76.1	74.9
Equity/assets ratio, %	67.6	68.2	68.9	72.8	73.3
Total number of stores	3,924	3,511	3,132	2,776	2,472
Average number of employees	104,634	93,351	81,099	72,276	64,874

* Before and after dilution.

** Proposed by the Board of Directors.

For definitions of key ratios see page 103.

The H&M share

KEY RATIOS PER SHARE	2015	2014	2013	2012	2011
Shareholders' equity per share, SEK	35.07	31.15	27.34	26.49	26.65
Earnings per share, SEK	12.63	12.07	10.36	10.19	9.56
Change from previous year, %	+5	+17	+2	+7	-15
Dividend per share, SEK	9.75*	9.75	9.50	9.50	9.50
Market price on 30 November, SEK	323.50	319.40	278.00	215.90	214.00
P/E ratio	26	26	27	21	22

* Board's proposal.

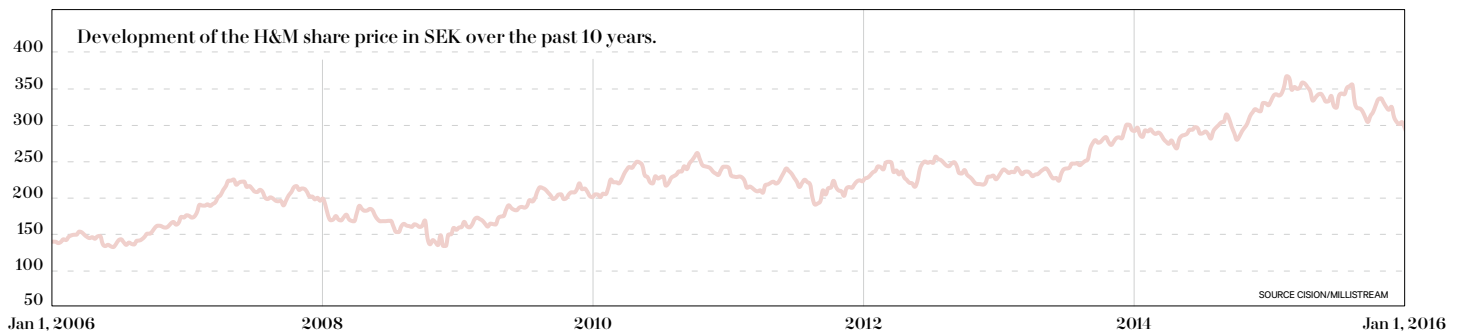
In 2010 H&M implemented a 2-for-1 share split.

DISTRIBUTION OF SHARES, 30 NOVEMBER 2015

SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDER
1–500	172,940	78.9	24,357,847	1.5	141
501–1,000	22,070	10.0	17,500,452	1.1	793
1,001–5,000	19,033	8.7	41,980,537	2.5	2,206
5,001–10,000	2,333	1.1	17,069,298	1.0	7,316
10,001–15,000	717	0.3	9,009,029	0.5	12,565
15,001–20,000	431	0.2	7,645,652	0.5	17,739
20,001–	1,687	0.8	1,537,509,185	92.9	911,387
Total	219,211	100	1,655,072,000	100	7,014

MAJOR SHAREHOLDERS, 30 NOVEMBER 2015

	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
The Persson family and related companies	623,849,332	69.7	37.7
Lottie Tham and family	88,080,400	2.6	5.3
Alecta Pensionsförsäkring	62,270,000	1.8	3.8
Swedbank Robur fonder	36,439,039	1.1	2.2
AMF – Försäkring och Fonder	30,418,650	0.9	1.8
SEB Investment Management	21,230,468	0.6	1.3
Handelsbanken fonder	19,407,908	0.6	1.2
Fjärde AP-fonden (Fourth Swedish National Pension Fund)	15,122,925	0.4	0.9
Afa Försäkring	12,396,409	0.4	0.8
Jan Axel Bengtsson	12,222,030	0.4	0.7



For more information see the investor relations section at hm.com.

Corporate governance report 2015

H & M Hennes & Mauritz AB is a Swedish public limited company. H&M's class B share is listed on Nasdaq Stockholm. H&M applies the Swedish Corporate Governance Code (the Code) and has therefore prepared this corporate governance report in accordance with the Annual Accounts Act and the Code. H&M has applied the Code since 2005. The report was prepared by the company's board of directors and has been reviewed by the company's auditors.

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External regulations and internal control documents

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

Examples of external regulations that affect H&M:

- Swedish Companies Act
- Accounting legislation including the Swedish Bookkeeping Act and Annual Accounts Act
- Nasdaq Stockholm Rules for Issuers
- Swedish Corporate Governance Code (the Code), which is available at corporategovernanceboard.se. 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.

Examples of internal control documents:

- Articles of association
- The board's work plan including instructions for the CEO and auditing committee
- The H&M Way
- Code of Ethics
- Code of Conduct: Sustainability Commitment (formerly Code of Conduct)
- Financial Policy
- Communications Policy
- Human Rights Policy
- Tax Policy
- Whistleblowing Policy
- Other policies, guidelines and manuals

H&M has chosen to have the corporate governance report as a separate document to the annual report in accordance with chapter 6 § 8 of the Swedish Annual Accounts Act. The information that must be provided under chapter 6 § 6 items 3–6 of the Annual Accounts Act is included in the administration report on page 76 of H&M's annual report for 2015 and is therefore not included in this corporate governance report. In accordance with chapter 6 § 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.

READ MORE about H&M's corporate governance at hm.com
To find out more about H&M's corporate governance visit hm.com/corporate-governance.

Among other things, you will find here:

- Previous corporate governance reports
- Articles of association
- Information on the nomination committee, board of directors, CEO, auditors, auditing committee, guidelines and policies, etc.
- Information and material from previous AGMs
- Risks and uncertainties

Values-based corporate governance

Good and sound corporate governance is about ensuring that companies are managed as sustainably, responsibly and efficiently as possible in the interests of the shareholders. H&M's corporate governance structure is divided into the shareholders, board of directors, auditing committee, CEO, nomination committee, auditors, executive management team, country managers, employees and employee organisations – see the illustration on the next page.

H&M's corporate governance is in many ways values-based since it starts from our values, the H&M spirit. Around these are our policies and guidelines, along with external regulations, which provide a framework that states clearly how we conduct ourselves in relation to the world around us; in other words, how we act on various issues and in different situations. Briefly, the H&M spirit can be described as a sound, simple, straightforward, down-to-earth, cost-conscious, entrepreneurial corporate culture that focuses on teamwork, our belief in people and constant improvement. Sustainability work is well integrated into every part of the business and forms a natural part of our employees' everyday life.

Today, H&M is present in more than 60 retail markets and around 20 production countries. As a global company, it is of the utmost importance that we always act ethically, transparently and responsibly at every stage – from when we are doing business with our suppliers to contact with the customers in the store. Through good purchasing routines and close cooperation with our suppliers, our products should always be produced with the greatest possible consideration for people and the environment. Risk management and our internal control work ensure that we work purposefully in every part of the organisation, and the board of directors and auditing committee receive regular feedback from the organisation concerning how internal control work is being conducted. Every year a thorough review is carried out of the company's risks, both operational and financial, with well-defined action plans to minimise risk.

Management and control are shared between the shareholders, board, auditing committee and CEO. The board's work plan states how the work is to be distributed between the board, the auditing committee

and the CEO, with the board having the ultimate responsibility for the company's organisation and administration and the CEO taking care of the ongoing management of the business, with regular feedback to the board.

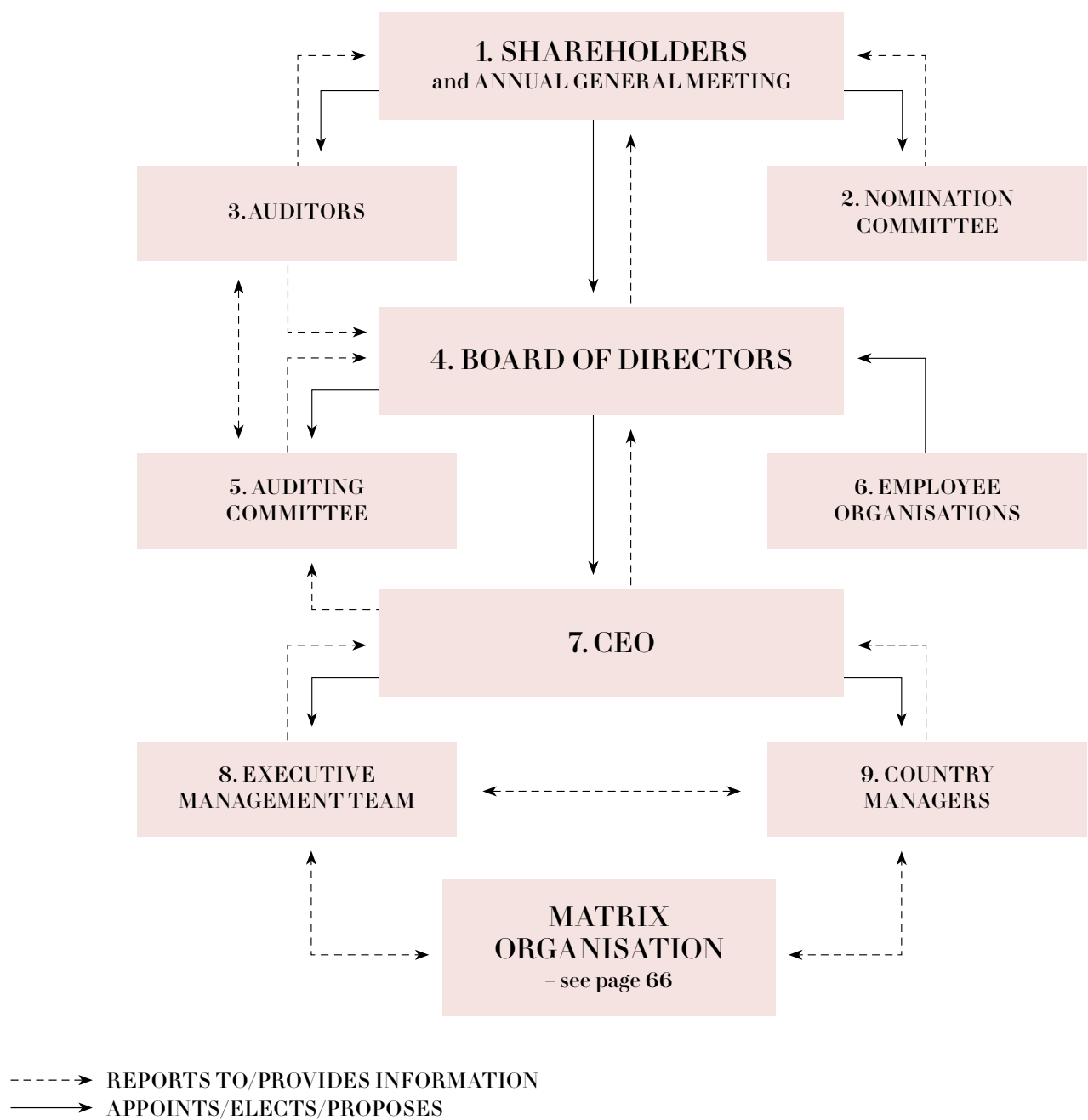
The board of directors has eight members elected by the AGM, two employee representatives and two deputies for these. Overall, the board has 12 members – seven women and five men. The composition of the board is characterised by breadth and diversity, and the various competencies of the board members complement each other well, providing experience within areas such as retailing, entrepreneurship, fashion, digitalisation and communication which forms a good basis for valuable discussions with the CEO and management.

During the year the board held seven board meetings, including a statutory meeting in conjunction with the AGM. As in previous years, there was a very high level of attendance by board members. The CEO, CFO and chief accountant also attend all the meetings. Generally, one or two functions/departments or country managers are invited to each meeting to give a status presentation concerning what their particular function or country is working on; for example, every six months the head of sustainability provides an update on the company's sustainability work, making reference to key indicators and targets. These presentations act as a complement to the CEO's status reports and provide opportunity for more in-depth discussions of the business in specific areas. At each board meeting the chair of the auditing committee also gives an account of what the auditing committee looked into at its most recent meeting within areas such as accounting, auditing, tax, internal control, risks, various new regulations, etc.

H&M’s corporate governance structure

The illustration summarises H&M’s corporate structure. H&M’s shareholders ultimately decide the company’s direction, since the shareholders at the general meeting appoint the board of directors and the chairman of the board. Proposals for the composition of the board, board fees and the election of auditors are prepared previously within the nomination committee. The board in turn appoints the CEO to take care of day-to-day administration, and the CEO appoints the executive management team and country managers within H&M’s

matrix organisation. The board includes two employee representatives and two deputies for these, who are appointed by their respective employee organisations. The board appoints an auditing committee from among its members which deals with auditing matters on an ongoing basis and which is the main communication channel between the board and the auditors. Each year the auditors report to the annual general meeting on their scrutiny.



1. SHAREHOLDERS AND ANNUAL GENERAL MEETING

It is H&M's shareholders who have the final decision on the company's governance by voting at the general meeting to adopt the articles of association, which decide what the business will focus on, and to appoint the board of directors and its chairman, whose task it is to administer H&M's affairs on behalf of the shareholders. The shareholders at the general meeting also elect auditors, decide on the principles of the nomination committee and select the members of this 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 ordinary general meeting (annual general meeting) is held once a year, in late April or early May. The date and venue are announced in H&M's nine-month report as well as on hm.com, and the notice of the meeting is published in full usually five weeks before the meeting in Post och Inrikes Tidningar, Dagens Nyheter, Svenska Dagbladet and on hm.com. 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 number of shares 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. H&M's email address is also given for those shareholders who wish to submit their questions to H&M in advance. All the material belonging to the meeting, including the minutes of the meeting, is available on the website in both Swedish and English.

Extraordinary general meetings can also be held where there is a particular need to do so. The last time this happened was in 2010, when decisions were taken on HIP, the H&M Incentive Program covering all employees.

Shareholders' decision-making powers

Among other things, the general meeting makes decisions concerning:

- The election of board members and the chairman of the board
- Board fees including the compensation paid to members for work on the auditing 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 election of members of the nomination committee and establishment of principles for the nomination committee
- Guidelines for remuneration to senior executives

Annual general meeting 2015

H&M's annual general meeting 2015 was held on 29 April in Victoriahallen at the Stockholm International Fairs in Stockholm. 1,751 shareholders were represented at the meeting, representing 82.4 percent of the votes and 63.7 percent of the capital. H&M's board of directors, executive management and nomination committee as well as the company's auditors attended the meeting.

The main resolutions passed were the following:

- The lawyer Sven Unger was elected as chairman of the meeting.
- Balance sheets and income statements for the parent company and for the group were adopted.
- A dividend to shareholders of SEK 9.75 per share was approved.

- The board members and the CEO were discharged from liability for the 2013/2014 financial year.
- The number of board members elected by the meeting to serve until the next AGM was set at eight, with no deputies.
- All the ordinary board members were re-elected: Anders Dahlvig, Lottie Knutson, Sussi Kvart, Lena Patriksson Keller, Stefan Persson, Melker Schörling, Christian Sievert and Niklas Zennström. Stefan Persson was re-elected as chairman of the board.
- The AGM approved the proposal from the nomination committee that the board fees be increased by SEK 300,000 to a total of SEK 5,825,000. The board fees are to be distributed as follows: chairman of the board SEK 1,550,000; board members elected by the AGM SEK 550,000; members of the auditing committee an extra SEK 125,000; and the chairman of the auditing committee an extra SEK 175,000.
- The proposed principles for the nomination committee were approved and members of the nomination committee were elected.
- The proposed guidelines for remuneration to senior executives were approved.

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

YEAR	% OF VOTES	% OF CAPITAL
2011	82.3	63.5
2012	83.3	65.7
2013	85.3	69.8
2014	84.2	67.5
2015	82.4	63.7

Number of shareholders and ownership structure

At the end of the financial year H&M had 219,211 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).

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 393,049,043 class B shares, which represent 11.5 percent of the votes. This means that as of 30 November 2015, Stefan Persson and family via Ramsbury Invest AB represent 68.6 percent of the votes and 35.5 percent of the total number of shares. Ramsbury Invest AB is thus the parent company of H & M Hennes & Mauritz AB.

Annual general meeting 2016

H&M's annual general meeting 2016 will be held on Tuesday 3 May 2016 in the Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna. To register to attend the 2016 AGM, see page 108 of H&M's annual report for 2015 or visit hm.com/agn.

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, the chairman of the board, the auditors and the chairman of the annual general meeting, fees to the board and auditors, as well as principles for the nomination committee. The nomination committee's proposal for the composition of the board is characterised by diversity and breadth as regards expertise, experience, background

and gender balance. It also takes into consideration the H&M group's stage of development and future focus.

Before each general meeting the nomination committee's report is available to read as a separate document at hm.com/corporategovernance. The members of the nomination committee are elected by the AGM on the basis of principles for the nomination committee. Briefly, these state that the nomination committee is to be made up of the chairman of the board and four other members who are nominated by the four largest shareholders as of the last day of February that year, other than the shareholder that the chairman of the board represents.

Composition of the nomination committee following the 2015 AGM:

- Stefan Persson, chairman of the board
- Lottie Tham
- Liselott Ledin, Alecta
- Jan Andersson, Swedbank Robur Fonder
- Anders Oscarsson, AMF Pension

The nomination committee meets the requirements of the Code regarding the independence of members. Stefan Persson is the nomination committee's chairman. This deviates from section 2.4 of the Swedish Corporate Governance Code. The 2015 AGM resolved that unless the members of the nomination committee agree otherwise, the chairman of the nomination committee shall be the member representing the largest shareholder. The nomination committee has found no reason to decide otherwise. The nomination committee was unanimous that in view of H&M's ownership structure, Stefan Persson – in his capacity as chairman of the board and principal shareholder – is the natural choice to chair H&M's nomination committee.

Work of the nomination committee in preparation for the 2015 AGM

The nomination committee elected at the 2014 AGM, which was the same as that elected at the 2015 AGM, presented its proposals for the 2015 AGM. The proposal for the composition of the board was to re-elect all the ordinary board members. This was because the board underwent a major change at the 2014 AGM when two new board members – Lena Patriksson Keller and Niklas Zennström – were elected, which broadened the board's expertise in the following areas: fashion, communications, IT and online operations. In view of this, the nomination committee felt that continuity in the board's work was important in 2015 and therefore saw no current need to change the composition of the board in conjunction with the 2015 AGM.

The nomination committee judged that the proposed composition of the board accorded well with section 4.1 of the Swedish Corporate Governance Code, i.e. that the proposed board was characterised by diversity and breadth of expertise, experience, background and gender balance. It was felt that the proposed composition of the board more than satisfied the requirements made of expertise and experience, taking into account the company's operations and future development. The proposed composition was considered to meet the applicable requirements well as regards the independence of board members and their stock market experience.

Work of the nomination committee in preparation for the 2016 AGM

Since the 2015 AGM the nomination committee has held two meetings at which minutes were taken and has also been in contact at other times. The work of the board and its composition are assessed on an ongoing basis over the year. Stefan Persson gave a verbal account of

this at the nomination committee's first meeting. The conclusion was that the board had worked effectively over the course of the year.

The board's work is presented so that the nomination committee can make the best possible assessment of the board's collective competence and experience. The nomination committee also discusses the size of the board, its composition, the election of a chairman for the AGM and fees for board members. No fees were paid to the nomination committee's chairman or to any of the other members of the nomination committee. The nomination committee's work in preparation for the next AGM is not yet complete and more information will be presented before and at the 2016 AGM.

3. AUDITORS

The auditors, who are independent and appointed by the shareholders at the annual general meeting (AGM), scrutinise H&M's annual report, consolidated financial statements, accounts, sustainability report 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 the H&M group by the board and CEO, and review compliance with the guidelines on remuneration to senior executives adopted by the AGM.

At the 2013 AGM the accounting firm Ernst & Young AB was elected as auditor of H&M for a four-year period, i.e. until the end of the 2017 AGM. Authorised public accountant Åsa Lundvall from Ernst & Young holds the main responsibility for the audit.

As previously, the 2015 AGM resolved that the auditors' fees should be paid based on the invoices submitted. The fees invoiced by the auditors over the past two financial years are reported in note 9 of the annual report for 2015.

Ernst & Young AB (EY) 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 auditing committee's guidelines regulating which assignments the accounting firm is permitted to conduct for H&M in addition to the audit. Åsa Lundvall is an authorised public accountant who conducts auditing assignments for companies such as ATG, DGC One, Systemair and Systembolaget.

The auditors attend all meetings of the auditing committee, and as in previous years, the chief auditor Åsa Lundvall also took part in the board meeting held in January 2015 in order to notify the board of the scope, focus, significant considerations and conclusions of the audit of the 2014 financial year. In addition to this involvement, the auditor meets regularly with the chairman of the board, the chair and other members of the auditing committee, 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, EY has also carried out related tasks such as verification of the Sustainability Report. In addition, EY has also assisted with other consulting services, primarily tax advice. EY has internal processes to ensure its independence before these tasks are begun. To minimise the risk of a situation arising in which the auditor's independence might be questioned, the auditing committee has also decided that consulting services exceeding a certain amount must be approved by the auditing committee before being begun. The auditing committee evaluates the auditor annually to gain assurance that the auditor's objectivity and independence cannot be questioned.

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2015

NAME	YEAR ELECTED	INDEPENDENT ¹⁾	INDEPENDENT ²⁾	FEES (SEK) ³⁾	BOARD MEETINGS ⁴⁾	AUDITING COMMITTEE	SHAREHOLDING	SHARES HELD BY RELATED PARTIES
Stefan Persson, Chairman	1979	No	No	1,500,000	6/7			194,400,000 ⁵⁾ 393,049,043 ⁶⁾
Anders Dahlvig	2010	Yes	Yes	625,000	5/7	4/4	17,510	
Lottie Knutson	2006	Yes	Yes	525,000	7/7		1,400	
Sussi Kvart	1998	Yes	Yes	625,000	7/7	4/4	4,400	1,700
Lena Patriksson Keller	2014	Yes	Yes	525 000	7/7			700 ⁷⁾ 9,450
Melker Schörling	1998	Yes	Yes	525,000	6/7			228,000 ⁸⁾
Christian Sievert	2010	Yes	No ⁹⁾	675,000	7/7	4/4	56,000	4,000 and 600 ¹⁰⁾
Niklas Zennström	2014	Yes	Yes	525,000	6/7		72,700	
Ingrid Godin employee rep.	2012				7/7			60
Margareta Welinder employee rep.	2007				7/7			
Rita Hansson deputy employee rep.	2014				7/7		300	
Alexandra Rosenqvist ¹¹⁾ deputy employee rep.	2015				4/4			
Tina Jäderberg ¹¹⁾ deputy employee rep.	2007				3/3			

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 2014 Annual General Meeting. This means the fees related to the period until the next AGM, i.e. the period 29 April 2014 to 29 April 2015. The amounts were paid out after the 2015 AGM.

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

5) Class A shares owned through Ramsbury Invest AB.

6) Class B shares owned through Ramsbury Invest AB.

7) Shares owned through Lena Patriksson Keller's private company Verdani Holding AB.

8) Shares owned through Melker Schörling AB.

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: 4,000 shares held through Christian Sievert's company Whitechris Industri AB and 600 shares held by spouse. Additional information: In addition to Christian Sievert's shareholding shown above, Christian Sievert holds 5,000 H&M shares via a pension plan.

11) Deputy employee representative Tina Jäderberg resigned at the beginning of 2015 and was succeeded by Alexandra Rosenqvist.

There are no outstanding share or share price related incentive programmes for the board of directors.

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. This means that the board has the overall responsibility for H&M's administration. This takes place in a long-term, sustainable way with a focus on the customer offering and growth.

In addition to laws and recommendations, H&M's board work is regulated by the board's work plan which contains rules on the distribution of work between the board, its committees and the CEO, financial reporting, investments and financing. The work plan, which also includes a work plan for the auditing committee, is updated when 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 annual general meeting for the period up until the next AGM.

Since the 2015 AGM the board has consisted of eight ordinary members elected by the AGM and no deputies. There are also two employee representatives, with two deputies for these positions. The board is comprised of seven women and five men. Only the employee representatives are employed by the company. Since the 2015 AGM the board has comprised the following members elected by the meeting: Stefan Persson (chairman), Anders Dahlvig, Lottie Knutson, Sussi Kvart, Lena Patriksson Keller, Melker Schörling, Christian Sievert and Niklas Zennström. Ingrid Godin and Margareta Welinder are the regular employee representatives, with Rita Hansson and Alexandra Rosenqvist as their deputies. For more facts about H&M's board members see pages 70–71.

The board members are to devote the time and attention that their assignment for H&M requires. New board members receive introductory training which, among other things, includes meetings with the heads of various functions.

The composition of H&M's board during the year met the

independence requirements set out in sections 4.4 and 4.5 of the Code. This means that the majority of the board members elected by the general meeting are independent of the company and company management. The 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 when the CEO's terms and conditions are being evaluated. The CEO reports to the board on the operational work within the group and ensures that 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 2015 financial year seven board meetings were held. The level of attendance at board meetings is high, with each member's attendance shown in the table on page 63.

Work of the board in 2015

H&M's board meetings are generally structured as follows, which is then supplemented by one or more business presentations, e.g. by heads of functions or country managers.

The following areas are usually reviewed at each board meeting:

- Minutes of the previous meeting
- CEO's status report
- Report by CFO
- Strategic matters
- Feedback from latest auditing committee meeting
- Financial reporting, such as interim report, annual report
- Decisions on particular matters

During 2015 CEO Karl-Johan Persson provided information on the following, among other things: sales, costs, results, the customer offering for each brand and market performance, investments, store and online expansion, sustainability, external factors and development opportunities. The CEO also provided ongoing information on buying work, production, the stock-in-trade, marketing and PR activities, organisational changes, the broadening of the product range and new initiatives such as H&M Beauty.

The board approved the expansion targets for 2015, which were to open around 400 new stores net and to open stores in the new markets of Taiwan, Peru, Macau, India and South Africa. In addition, the board discussed the significance of the increased digitalisation and the H&M group is consequently implementing rapid online expansion; ten new H&M online markets were added during the year, for example. Since the group is at an important stage in its multibrand and multichannel work, necessary long-term investments are being made in various IT- and business-driving projects in order to be able to offer customers a shopping experience that is as complete and smooth as possible. The board is therefore also being given ongoing updates on these projects such as development of the website, platforms, returns management, etc. The long-term investments that are being made aim to ensure the group's future expansion and position.

The group's integrated sustainability work is very important and is discussed regularly by the board, and the board receives regular feedback on the progress of the work in respect of the sustainability

targets set. Every six months, therefore, the head of sustainability provides an update on the group's sustainability work with reference to key indicators and targets, such as compliance with the Code of Conduct, sustainable cotton, climate impact, anti-corruption, etc.

At each board meeting the chairman of the auditing committee reports to the board on what the auditing committee looked into at its latest meeting. These are areas such as auditing, tax, internal control, risk, various new regulations, etc. The overall risk assessment, involving the very largest risks, is then also discussed at subsequent board meetings. At four of the year's meetings the board goes through quarterly reports before they are published and at the January meeting the board discusses the annual report, with the auditor also reporting on the year's audit.

During the year the board takes a number of different decisions such as on the expansion and investment plan, the proposed dividend which was SEK 9.75 per share for the 2014 financial year as proposed to the 2015 AGM, guidelines for remuneration of senior executives, the financial reports, etc. Since H&M does not have a separate internal audit function for work on internal control but has instead established its own model to manage the company's risk and internal control (see pages 65–67), once a year the board assesses the need for a separate internal audit function. This year the board again reached the conclusion that the present model for monitoring internal control is working in a satisfactory way.

Before the 2015 annual general meeting the board carried out an assessment of the application of the guidelines for remuneration to senior executives that were adopted by the 2014 AGM. The results of this assessment were published on the website in good time before the 2015 AGM.

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. 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 guidelines adopted at the last AGM. The terms of employment for other senior executives are decided by the CEO and the chairman of the board. No severance pay agreements exist within H&M other than for the CEO.

5. AUDITING COMMITTEE

The auditing committee monitors the company's financial reporting, which among other things involves monitoring the effectiveness of the company's internal control and risk management. Its work includes handling auditing issues and financial reports published by the company. The auditors attend the meetings of the auditing committee to report on their scrutiny of the group's annual report and financial statements, including the consolidated financial statements.

The auditing committee also 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 auditing committee receives a written assurance of independence from the auditor stating which assignments the accounting firm has provided to H&M during the financial year in addition to the audit. The auditing committee also assists the nomination committee with any proposals to the AGM concerning the election of auditors.

H&M's auditing committee is made up of three board members, all of whom have expertise in accounting or auditing. All the members are independent of the company and its management. The majority of the members are also independent of the company's major share-

holders. The auditing 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 2015 AGM, the auditing committee has consisted of chairman Christian Sievert and members Sussi Kvart and Anders Dahlvig. The committee held four meetings at which minutes were taken during the 2014/2015 financial year.

EY attended the auditing committee meetings and reported on the auditing assignments. The meetings were also attended by CFO Jyrki Tervonen and chief accountant Anders Jonasson, among others. The committee's meetings are minuted and the minutes are then distributed to the board members.

During the year the auditing 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 – both financial risk and operational risk – with well-defined action plans to minimise risk. Among others, the following functions also gave presentations/provided information on their work: accounts, treasury, security, sustainability, marketing and IT.
- The internal pricing model and tax matters. A status update in respect of tax is given at each meeting, partly related to the OECD's BEPS project that deals with, among other things, how and where profits in multinational companies are to be taxed.
- EY provided the committee with information on the results of its scrutiny as well as the scope of the audit.
- In addition, EY provided information on current regulatory developments in the areas of accounting and auditing.
- Review of the auditors' independence and impartiality. The auditing committee finds that it is clear which assignments EY takes on in addition to auditing and sees no reason to question the accounting firm's impartiality. H&M also buys other consulting services from other accounting firms and tax advisors.

6. EMPLOYEE ORGANISATIONS

Under Swedish law, the employees 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 two board members and two deputies to the board of H&M.

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 in particular on recruitment of senior executives, buying and logistics matters, the customer offering, pricing strategy, sales and profitability, sustainability matters, marketing, expansion, development of the store network and of online sales, and IT development. The CEO reports to the board on H&M's development and makes the necessary preparations for taking decisions on investments, expansion, etc. The role of CEO includes contact with the financial market, the media and the authorities.

Karl-Johan Persson, born in 1975, has been the president and chief executive officer of H & M Hennes & Mauritz AB since 1 July 2009. Before taking over as CEO Karl-Johan Persson held an operational role within H&M from 2005, including working as head of expansion, business development, brand and new business. Since 2000 Karl-Johan Persson has been a member of the boards of H&M's subsidiaries in

Denmark, Germany, the US and the UK. Between the years 2006 and 2009 he was also a member of the board of H & M Hennes & Mauritz AB.

Between 2001 and 2004 Karl-Johan Persson was CEO of European Network. Karl-Johan Persson holds a BA in business administration from the European Business School in London. Karl-Johan Persson currently has external board assignments for, among others, the Swedish Chamber of Commerce in the UK, Ramsbury Invest AB and the GoodCause Foundation. Since 2013 Karl-Johan Persson has also been a member of the board of the H&M Foundation. Karl-Johan Persson is a shareholder in Ramsbury Invest AB, and also personally holds 12,136,289 class B shares in H&M.

8, 9. EXECUTIVE MANAGEMENT TEAM AND COUNTRY MANAGERS

H&M has a matrix organisation consisting of the sales countries, led by country managers, and group functions/central departments, led by the individual on the executive management team who is responsible for that function. The matrix organisation provides a good combination of central and local perspectives on leadership and entrepreneurship.

The executive management team member in charge of each function is responsible for that function's support, training and best practice, and for ensuring that each country works efficiently in accordance with the policies and guidelines issued by the central department. The country managers are responsible for sales, profitability and daily operations in their country, giving them a collective responsibility for all the functions in their country. The country organisations are in turn divided into regions, with a number of stores in each region.

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

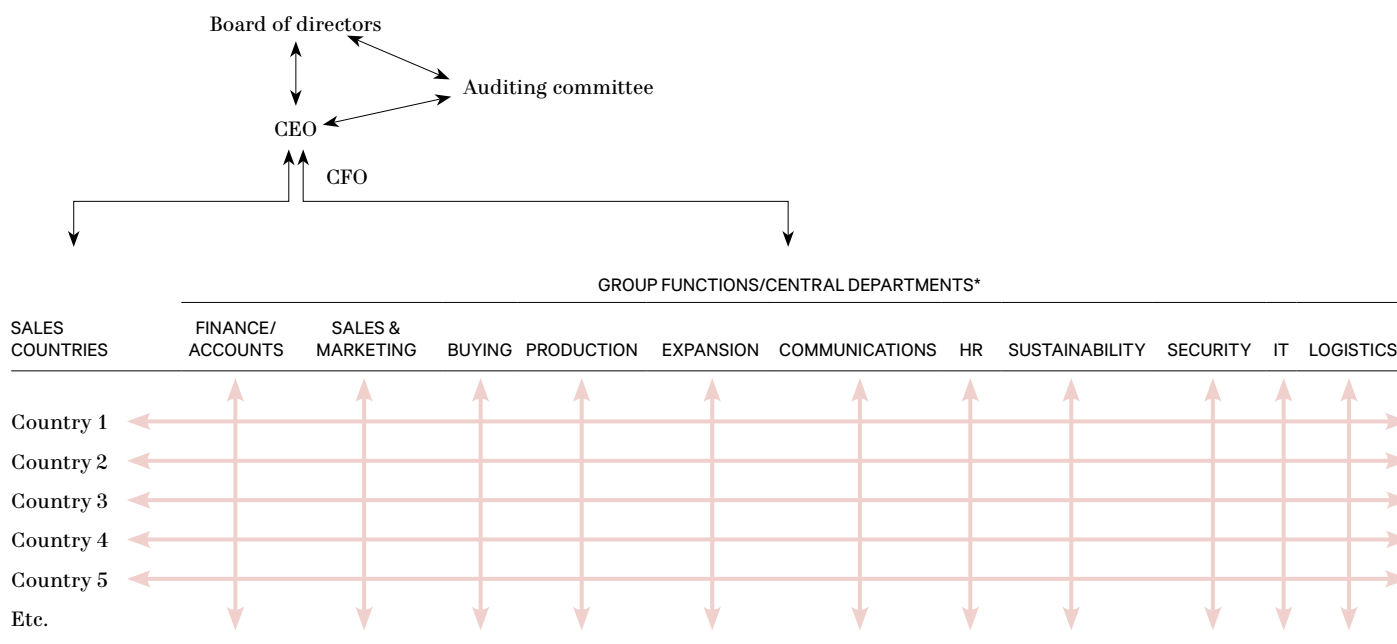
Internal control

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, the purpose of which is to ensure that the business is managed in the most appropriate and effective manner possible, to ensure reliable financial reporting, and to ensure 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 § 6 of the Swedish Annual Accounts Act and section 7.4 of the Swedish Corporate Governance Code.

H&M uses the COSO framework as a basis for internal control over financial reporting. The COSO framework, which is issued by the Committee of Sponsoring Organizations of the Treadway Commission, is made up of the following five components: control environment, risk assessment, control activities, information and communication as well as monitoring.

CONTROL ENVIRONMENT

The control environment forms the basis of internal control, because it includes the culture that the board and management communicate and by which they work. The control environment is made up primarily of ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and guidelines, as well as routines.

H&M's MATRIX ORGANISATION

* Those responsible for group functions are members of the executive management team. In addition to the functions mentioned above and the CEO, those responsible for Business Development, IR, New Business and Brand are also part of the executive management team.

Of particular importance is that management documents such as internal policies, guidelines and manuals exist in significant areas and that these provide the employees with solid guidance. Within H&M there exists above all the Code of Ethics; an ethical policy that permeates the entire company, since it describes the way in which the employees should act within the company and in business relations with suppliers. For a number of years the group has had a document called "The H&M Way", which briefly describes and brings together what H&M stands for and provides a basis for how employees are to act in relation to each other and the outside world. It also refers to the group's main policies.

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

- The division of work between the board of directors, the auditing committee and the CEO, which is clearly described in the board's formal work plan. The executive management team and the auditing committee report regularly to the board based on established routines.
- The company's organisation and way of carrying on business, in which roles and the division of responsibility are clearly defined.
- Values and guidelines, as well as policies, routines and manuals; of these, the Code of Ethics, the financial policy, the information policy, the communications policy and the store instructions are examples of important overall policies.
- Awareness among the employees of the importance of maintaining effective control over financial reporting.
- Control activities, checks and balances, analysis, reporting.

H&M has a matrix organisation, which means that those on the executive management team are responsible for the work within their function in each country being efficient (the vertical arrows). The country managers are responsible for sales and profitability in their country and thereby have overall responsibility for all the functions within their operations (the horizontal arrows). The country organisation is in turn divided into regions, with a number of stores in each region.

All the companies within the H&M group – apart from Weekday Brands, which is engaged in wholesale operations – have the same structure and accounting system with the same chart of accounts. This simplifies the creation of appropriate routines and control systems, which 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 the 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

H&M carries out regular risk analysis for both operational and financial risks. At the end of each financial year the analysis is updated in respect of the main operational risks and also the risks within financial reporting. This is carried out in two group-wide documents, based on the probability and impact of each risk.

As in previous years, at the end of 2015 each central function reviewed its main risks, assessed these and identified the systems, methods and controls that are in place to minimise any impact of the risks. This information was compiled at group level into the overall risk analysis mentioned above, and was discussed with the functions with a view to gaining an overall picture of the main risks within the company.

The risk analyses for operational risks and the risks within financial reporting were then dealt with in the auditing committee and thereafter discussed by the board.

For a description of H&M's operational risks see the administration report on pages 75–76 and for risks within financial reporting see note 2, Financial risks, on pages 92–93 of H&M's annual report for 2015.

To limit the risks there are appropriate policies and guidelines as well as processes and controls within the business.

CONTROL ACTIVITIES

There are a number of control activities built into every process to ensure that the business is run effectively and that financial reporting on every reporting occasion provides a fair picture. The control activities, which aim to prevent, find and correct inaccuracies and non-compliance, are at all levels and in all parts of the organisation. Within H&M the control activities include effective control and analysis of sales statistics, account reconciliation, monthly accounts and financial reports.

IT systems are scrutinised regularly during the year to ensure the validity of H&M's IT systems with respect to financial reporting. In 2015 general IT controls for certain selected systems were scrutinised by an external party together with those responsible for systems and system areas within H&M.

INFORMATION AND COMMUNICATION

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

H&M's policies and guidelines are updated on an ongoing basis. This takes place primarily within each central function and is communicated to the sales countries by email and via the intranet, as well as at meetings.

H&M has a communications policy providing guidelines for communication with external parties. The purpose of the policy is to ensure that all information obligations are met and that the information provided is accurate and complete.

Financial communication is provided via:

- H&M's annual report
- Interim reports, the full-year report and monthly sales reports
- Press releases on events and circumstances that may impact the share price
- H&M's website hm.com

MONITORING

In 2015 the group functions/central departments carried out assessments of internal control within their respective functions in the sales countries based partly on general issues and partly on department-specific issues, using the COSO model.

The work resulted in a plan of action for each central department defining the areas that ought to be improved in order to further strengthen internal control, not only in respect of each country but also for the central function. The functions also followed up on the assessments made in the previous year. It is felt that the way in which H&M assesses internal control is firmly established within the organ-

isation. It is an aid and an instrument that the central functions can use to ensure that their respective departments in the sales countries are working in a uniform and desirable way. The assessment of internal control also allows each sales country to provide valuable and constructive feedback to the central function regarding where there is room for improvement at central level. An important part of the internal control work is the feedback to the country management (country manager and country controller) which the central function provides based on the results of the evaluation in each country. This is done with a view to being transparent and ensuring that the countries apply best practice.

Within the production organisation there is a firm and regular control and monitoring process for the internal routines that are brought together in the Routine Handbook for Production. These routines are about how H&M ensures that the company does business in an ethical and transparent way. Most of these routines are monitored on a monthly basis at both regional and global level.

Internal store auditors perform annual checks at the stores with the aim of determining the strengths and weaknesses of the stores and how any shortcomings can be corrected. Follow-up and feedback with respect to any non-compliances found during the assessment of internal control constitute a central part of internal control work.

The board of directors and the auditing committee continuously evaluate the information provided by the executive management team, including information on internal control. The auditing committee's task of monitoring the efficiency of internal control by the management team is of particular interest to the board. This work includes checking that steps are taken with respect to any shortcomings detected and suggestions made during the assessment by the central departments and internal store auditors as well as by external auditors. The work on internal control maintains awareness of the importance of effective internal control within the group and ensures that continuous improvements are made.

INTERNAL AUDIT

In accordance with section 7.4 of the Swedish Corporate Governance Code, during the year the board assessed the need for a specific internal audit department. 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 is applied by the central departments such as accounts, communications, security, logistics, production, etc. in the subsidiaries – and the work carried out by internal store auditors are well in line with the work performed in other companies by an internal audit department. The issue of a specific internal audit department will be reviewed again in 2016.

Stockholm, January 2016

The Board of Directors

More information on H&M's corporate governance work can be found in the section on corporate governance at hm.com. The next four pages contain information about the board members.



SUSSI KVART
Board member and member of
the auditing committee

STEFAN PERSSON
Chairman of the board

ANDERS DAHLVIG
Board member and member of
the auditing committee

ALEXANDRA ROSENQVIST
Deputy employee representative

RITA HANSSON
Deputy employee representative

CHRISTIAN SIEVERT
Board member and chairman of
the auditing committee



MELKER SCHÖRLING
Board member

MARGARETA WELINDER
Employee representative

INGRID GODIN
Employee representative

LENA PATRIKSSON KELLER
Board member

LOTTIE KNUTSON
Board member

NIKLAS ZENNSTRÖM
Board member

About the board members

STEFAN PERSSON

Chairman of the board. Born 1947.

Primary occupation

Chairman of the board of H&M.

Other significant board assignments

Member of the board of MSAB and board assignments in family-owned companies.

Education

Stockholm University and Lund University, 1969–1973.

Professional experience

1976–1982 Country manager for H&M in the UK and responsible for H&M's expansion abroad.
1982–1998 President and chief executive officer of H&M.
1998– Chairman of the board of H&M.

ANDERS DAHLVIG

Board member and member of the auditing committee. Born 1957.

Primary occupation

Board assignments.

Other significant board assignments

Chairman of New Wave Group, member of the boards of Kingfisher plc, Oriflame SA, Axel Johnson AB, Resurs Bank AB and Pret A Manger.

Education

Bachelor of Science in business administration, Lund University, 1980 and Master of Arts 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 the IKEA Group.

LOTTIE KNUTSON

Board member. Born 1964.

Primary occupation

Writer and advisor on digital marketing, change work and crisis management.

Other significant board assignments

Member of the boards of Stena Line Holding BV, Cloetta AB, Swedavia, STS Alpresor, Wise Group AB and Scandic Hotels.

Education

Université de Paris III, Diplôme de Culture Française, 1985–1986.
Theatre history, Stockholm University, 1989. Department of Journalism at Stockholm University, 1987–1989.

Professional experience

1988–1989 Journalist, Svenska Dagbladet.
1989–1995 Communications department, SAS Group.
1995–1996 PR consultant, Johansson & Co.
1996–1998 PR and communications consultant, Bates Sweden.
1998–1999 Communications consultant, JKL.
1999–2014 Marketing director, Fritidsresor Group Nordic.

SUSSI KVART

Board member and member of the auditing committee. Born 1956.

Primary occupation

Consulting, with a focus on strategic business advice, corporate governance and board procedures.

Other significant board assignments

Chairman of Kvinvest AB. Member of the boards of Apoteket AB and DGC One AB.

Education

Bachelor of Laws from Lund University, 1980.

Professional experience

1981–1983 Mölndal District Court, court clerk.
1983–1989 Lagerlöf law firm (now Linklaters), as lawyer from 1986.
1989–1991 Political expert, Riksdagen (Swedish parliament), parliamentary office of the Swedish Liberal Party.
1991–1993 Political expert, Swedish Cabinet Office.
1993–1999 Company lawyer, LM Ericsson.
1997–2001 Member of Aktiebolagskommittén (Swedish Companies Act Committee).
2000–2001 Lawyer and business developer, LM Ericsson, corporate marketing and strategic business development.
2002– Sussi Kvart AB.

LENA PATRIKSSON KELLER

Board member. Born 1969.

Primary occupation

Executive Chairman at branding and communications agency Patriksson Communication AB.

Other significant board assignments

Member of the boards of WESC and Elite Hotels; chairman of the board of the industry organisation Association of Swedish Fashion Brands (ASFB). 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 and product development at H&M.
1996–1998 Global communications manager, J.Lindeberg.
1999– CEO and later executive chairman, Patriksson Communication AB.

MELKER SCHÖRLING

Board member. Born 1947.

Primary occupation

Founder and owner of MSAB.

Other significant board assignments

Chairman of MSAB, AarhusKarlshamn AB, Hexagon AB, Hexpol AB and Securitas AB.

Education

MSc in business and economics from the School of Business, Economics and Law at Gothenburg University, 1970.

Professional experience

1970–1975 LM Ericsson, Mexico.
1975–1979 ABB Fläkt, Stockholm.
1979–1983 Managing director, Essef Service, Stockholm.
1984–1987 Managing director, Crawford Door, Lund.
1987–1992 President and CEO, Securitas AB, Stockholm.
1993–1997 President and CEO, Skanska AB, Stockholm.

CHRISTIAN SIEVERT

Board member and chairman of the auditing committee. Born 1969.

Primary occupation

CEO of investment company AB Max Sievert.

Other significant board assignments

Member of the boards of AB Segulah, AB Max Sievert and AB Anders Löfberg.

Education

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

Professional experience

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

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, Rovio, Fon and Fab.

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

INGRID GODIN

Employee representative on the H&M board since 2012. Born 1959.

MARGARETA WELINDER

Employee representative on the H&M board since 2007. Born 1962.

RITA HANSSON

Deputy employee representative on the H&M board since 2014. Born 1951.

ALEXANDRA ROSENQVIST

Deputy employee representative on the H&M board since 2015. Born 1976.

**AUDITOR'S STATEMENT ON THE CORPORATE
GOVERNANCE REPORT**

To the Annual General Meeting of H & M Hennes & Mauritz AB (publ),
corporate identity number 556042-7220

Assignment and division of responsibility

We have reviewed the corporate governance report for the financial year 1 December 2014 to 30 November 2015 on pages 58–71. The corporate governance report is the responsibility of the Board of Directors, which is responsible for the report being prepared in accordance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the corporate governance report based on our review.

Orientation and scope of review

Our review was conducted in accordance with RevU 16, Auditors' review of the corporate governance report. This means that we planned and performed the audit in order to obtain a reasonable degree of assurance that the corporate governance report is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the information in the corporate governance report. We believe that our audit provides a reasonable basis for our opinion set out below.

Opinion

In our opinion, a corporate governance report has been prepared and its content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 27 January 2016

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Jacket
€39.99



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 2014 to 30 November 2015, hereinafter referred to as the 2015 financial year.

BUSINESS

The H&M group's business consists mainly of sales of clothing, accessories, footwear, cosmetics and home textiles to consumers.

The H&M group's brand portfolio includes clearly defined fashion brands – H&M and H&M Home, COS, & Other Stories, Monki, Weekday and Cheap Monday – each of which has its own unique profile and identity. The group's brands complement each other well, and together they offer customers a wide variety of styles and trends at various price points. All the brands share the same passion for fashion, quality and best price and all aim to dress customers in a sustainable way. The broad customer offering allows people around the world to dress in their own personal style.

H&M is a design-driven, creative and responsible fashion company guided by strong values that are based on a fundamental respect for the individual and a belief in people's ability to use their initiative. With a focus on fashion and customers, and a shared aim among employees to always exceed customers' expectations, H&M has developed since 1947 into one of the world's leading fashion companies.

For each brand there is a design and buying function where designers, pattern makers and buyers work together to create an inspiring product range 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.

Production

The group does not own any factories but instead has its products manufactured by around 820 independent suppliers through local production offices, mainly in Asia and Europe. For a few years now a small part of production has also taken place in Africa. To ensure future expansion, production capacity and geographical location are continually reviewed. H&M is a responsible company and considers it of the utmost importance to ensure that the products are of good quality and have been produced under good working conditions with the greatest possible consideration for people and the environment. Each supplier therefore undergoes a careful process based on the requirements in the H&M Code of Conduct (Sustainability Commitment) before being approved for production. H&M then works closely with the suppliers, with continual follow-up and knowledge-building programmes to ensure compliance with the Code. H&M's production offices are responsible for ensuring that each order is placed with the right supplier, that the products are manufactured at the right price and are of good quality, and that they are delivered at the right time. The production offices also check that manufacturing takes place under good working conditions.

Tests such as chemical and laundry tests are carried out on a continuous basis at the production offices and at external laboratories. The goods are subsequently transported to various distribution centres – primarily by sea and rail, but also by road and air. From there the goods are distributed directly to the stores and/or to regional replenishment centres.

The group achieves the best prices by having in-house designers, having no middlemen, utilising economies of scale, buying the right product from the right market, being cost-conscious in every part of the organisation and by having efficient logistics.

Sales channels

The group sells its products from leased store premises and digitally, i.e. via online shopping. At year-end there were 61 store markets, of which 13 are operated on a franchise basis, and 23 H&M online markets.

The total number of stores at the end of the 2015 financial year was 3,924 – including 3,610 H&M stores, 153 COS stores, 106 Monki stores, 20 Weekday stores, 30 & Other Stories stores and 5 Cheap Monday stores. Of the group's total number of stores, 156 were franchise stores. H&M Home is in 218 H&M stores in a total of 42 markets.

H&M's product range is also available to buy online in 23 countries: Sweden, Norway, Denmark, Finland, the Netherlands, Germany, Austria, the UK, the US, France, Italy, Spain, China, Portugal, Poland, the Czech Republic, Romania, Slovakia, Hungary, Bulgaria, Belgium, Switzerland and Russia. H&M Home is sold in all of H&M's online markets.

COS has 19 online markets, while Monki, Weekday and Cheap Monday have 18 online markets. & Other Stories has 13 online markets.

Sustainability

As a buyer and seller in many countries, the H&M group contributes to global trade, economic growth and development, which is particularly important for low-income countries because it helps lift people and nations out of poverty. As a large buyer H&M helps create around 1.6 million jobs, mainly in the textile industry.

The group's sustainability work includes environmental, ethical and human rights aspects, the starting point being to contribute to social development, improve working conditions and minimise environmental impact. H&M's vision is for all its operations to be run in a way that is economically, socially and environmentally sustainable. H&M actively pursues extensive work to bring about improvements throughout the life cycle of the products and in the communities where H&M operates. H&M uses its size and influence to help move this development in the right direction and to work for long-term improvements in human rights and the environment. To make a real difference in the long term, H&M also works in partnership with other companies, NGOs and governments, including on important industry-wide issues such as health, safety, wages, water, the climate, chemicals, etc.

In 2015 the company worked to produce a new sustainability strategy for the group, with the ambition of being the industry leader and leading change. This was done in close dialogue with many of the stakeholders with which H&M is continually in contact, such as academic institutions, organisations in the community, partners and other experts. The new strategy will be presented in more detail during 2016.

The H&M group's sustainability work is an integral part of its business. This means that the sustainability work forms part of daily work in every area of the company and that each of the group's departments is itself responsible for environmental and social matters, while the central sustainability department establishes the direction and overall targets for the company's sustainability work as well as providing the departments with support on sustainability matters.

More information on H&M's sustainability work can be found on pages 36–41 of the 2015 annual report and in H&M's sustainability report that is published annually at hm.com.

Expansion and future development

H&M remains positive as regards future expansion and the group's business opportunities. The strong expansion continues both through stores and online. Long-term investments are being made in areas such as IT and online in order to accommodate the possibilities brought

about by increased digitalisation. The existing product range is also being broadened. These long-term investments aim to further strengthen the H&M group's market position and secure future expansion.

H&M's growth target remains intact. The growth target is to increase the number of stores by 10–15 percent per year with continued high profitability.

For full-year 2016 the group plans a net addition of around 425 new stores, with most of the expansion taking place in existing markets. China and the US will once again be the markets with the most new stores. Three new markets are planned for 2016: New Zealand, Cyprus and Puerto Rico, which means that by the end of the financial year H&M will be present in 64 markets.

H&M currently offers online shopping in 23 markets and the global rollout of H&M's online store continues. During 2016 H&M plans to offer e-commerce in a further nine of H&M's existing markets. These countries are Ireland, Japan, Greece, Croatia, Slovenia, Estonia, Latvia, Lithuania and Luxembourg.

The group's other brands – COS, Monki, Weekday, Cheap Monday and & Other Stories – are planned to continue expanding at the same fast rate as in 2015. The main focus of this expansion will be on COS, which will open most of its new stores in existing markets but will also open stores in five new markets: the Czech Republic, Romania, Latvia, Malaysia and Saudi Arabia (via franchise). In addition, & Other Stories, Monki and Weekday will grow by opening stores in both new and existing markets.

H&M Home will also continue its rapid expansion, with around 60 new H&M Home departments.

Examples of ongoing long-term investments in broadening H&M's product range include H&M Sport, H&M Beauty and the extended shoe range.

H&M Beauty has got off to a very good start since its launch began in July 2015. At the end of the financial year H&M Beauty was available in around 900 stores in 41 markets, as well as online at hm.com. H&M Beauty is a new and broad concept for cosmetics, body care and hair care which offers high quality value-for-money products in a specially produced design. The rollout of H&M Beauty – which replaces H&M's current cosmetics – will continue during 2016. The plan is to add H&M Beauty into a further 300 H&M stores during 2016.

Employees

H&M's business is to be characterised by a fundamental respect for the individual, where everyone is of equal value. This applies to everything from fair wages, reasonable working hours and freedom of association to the opportunity to grow and develop within the company. The company's values – the H&M spirit – which have been in place since the days of H&M's founder, Erling Persson, are based partly on the ability of the employees to use their common sense to take responsibility and use their initiative. The diversity among employees as regards age, gender, ethnicity, etc. is a valuable asset for the company.

H&M has grown significantly since its beginnings in 1947 and today has a presence in more than 60 markets. In 2015 more than 16,000 new jobs were created within the H&M group. At the end of the year the group had just over 148,000 employees. The average number of employees in the group, converted into full-time positions, was 104,634 (93,351), of which 8,061 (7,489) were employed in Sweden.

Around 76 percent of the average number of employees were women and 24 percent were men. Women held 72 percent of the positions of responsibility within the company, such as store managers and country managers.

EVENTS AFTER THE CLOSING DATE

As previously communicated, sales including VAT increased by 10 percent in local currencies in December 2015 compared to the same month the previous year.

Sales including VAT in January 2016 are expected to increase by 7 percent in local currencies compared to the same month the previous year.

RISKS AND UNCERTAINTIES

Some risks may be due to events in the outside world and affect a certain sector or market, while others are associated with the group's own business. H&M carries out regular risk analysis for both operational and financial risks. Operational risks are mainly associated with the business and the external risks that affect the group. Some can be managed through internal routines and in some cases the group can influence the likelihood of a risk-related event occurring. Other risks are determined to a greater extent by external factors. If a risk-related event is beyond the company's control, work is aimed at alleviating the consequences.

There are risks and uncertainties affecting the H&M group that are related to fashion, weather conditions, macroeconomic external factors and geopolitical events, sustainability issues, foreign currencies, taxes and various regulations, but also in connection with expansion into new markets, the launch of new concepts and how the brand is managed. A description of H&M's operational and financial risks is given below, with more detailed information concerning financial risks being given in note 2, Financial risks.

OPERATIONAL RISK

Reputational risk

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

It is of the utmost importance that the H&M group lives according to the high aims set out in its policies and guidelines on business ethics. Should H&M fail in this respect, there is a risk that the company's reputation and brand could be damaged. Accurate, transparent and reliable communication can prevent occurrences of reputational risk, and can also help alleviate the consequences of any incidents.

Fashion

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 well received by customers.

Within each concept it is important to have the right volumes and achieve the right 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.

To optimise fashion precision, the group buys items on an ongoing basis throughout the season. Fashion is becoming increasingly global, but shopping patterns vary between different markets; the start of a season and the length of that season can vary from country to country, for example. Delivery dates and product volumes for the various countries and stores are therefore adjusted accordingly.

Weather

The H&M group's products are purchased for sale based on normal weather patterns. Deviations from normal weather conditions affect

sales. This is particularly true at the transition between two seasons, such as the transition from summer to autumn, but can also occur in the transition from autumn to winter. If the autumn is warmer than usual it may have a negative effect on sales of weather-related garments in particular, such as jackets and knitwear.

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 the country. These changed macroeconomic or geopolitical circumstances, such as political instability and sudden negative events in one or more countries, may result in rapid changes in the business environment and in economic downturn, which is likely to change consumer purchasing behaviour and thus negatively impact the group's sales.

Uncertainties also exist concerning how external factors such as foreign currencies (see below), raw materials prices, transport costs and suppliers' capacity will affect buying costs for the group's products. There are also risks associated with social tensions in certain sourcing markets, which may lead to instability at the suppliers and in manufacturing.

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 risk

There are a number of risks associated with sustainability issues in practically every sector. These sustainability risks may be associated with factors such as climate change, dwindling natural resources, working conditions, corruption and politically unstable sourcing markets. H&M works actively to support social development, to run its operations ethically, to be climate smart and to use natural resources responsibly. Among other things, H&M uses its size and influence to help move this development in the right direction and to work for long-term improvements in human rights and the environment. To ensure that H&M products are of good quality and are produced under good working conditions, there is a programme of continual follow-up and knowledge building to ensure compliance with H&M's Code of Conduct (Sustainability Commitment). H&M's training and follow-up of its anti-corruption code, the Code of Ethics, is also an important part of ensuring that employees and suppliers live up to H&M's strict requirements regarding business ethics.

FINANCIAL RISKS

Foreign currencies

Nearly half of the group's sales are made in euros, and the most significant currencies for the group's purchasing are the US dollar and the euro. Fluctuation in the US dollar/euro exchange rate is the single largest foreign currency transaction exposure for the group. Large and rapid exchange rate fluctuations, particularly as regards the USD as a 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 to the central company H & M Hennes & Mauritz GBC AB – are hedged under forward contracts on an ongoing basis.

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 when converted into SEK may increase 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. No exchange rate hedging (known as equity hedging) is carried out for this risk. For more information on financial risks see note 2, Financial risks.

Trade intervention

Purchasing costs may be affected by decisions at a national level on export/import subsidies, customs duties (see more below), textile quotas, embargoes, etc. 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.

Current changes in administrative rules relating to customs around the world mean increased challenges in the area as regards the application of customs legislation. H&M provides the customs authorities with relevant information on an ongoing basis in order to ensure customs values are managed correctly and to facilitate trade in accordance with the rules of the WTO Customs Valuation Agreement.

Taxes

For multinational companies today's global environment involves complex tax risks, such as the risk of double taxation and tax disputes. As a large global company, H&M closely monitors developments in the field of tax. H&M 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 on the clothes sold to consumers.

H&M complies with national and international tax legislation, and always pays taxes and levies in accordance with local laws and regulations in the countries where H&M operates. H&M's tax policy, which can be found at hm.com, reflects and supports H&M's business. H&M follows the OECD Transfer Pricing Guidelines, which means that profits are allocated and taxed where the value is created.

H&M works continually to ensure that its tax strategy is designed to limit any distortion arising from differences in tax legislation in different parts of the world.

The OECD guidelines on transfer pricing can be interpreted in various ways and consequently tax authorities in different countries may question the outcome of H&M's transfer pricing model, even though the model complies with the OECD guidelines. This may mean a risk of tax disputes in the group in the event that H&M and the local tax authorities interpret the guidelines differently.

ARTICLES OF ASSOCIATION, ANNUAL GENERAL MEETING

According to H&M's articles of association, H&M's board is to consist of at least three but no more than twelve members elected by the AGM 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 annual general meeting also decides on amendments to the articles of association.

NUMBER OF SHARES ETC.

At the end of the financial year H&M had 219,211 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). Class A shares are not listed. Class B shares are listed on the Stockholm stock exchange, Nasdaq Stockholm.

Ramsbury Invest AB holds all 194,400,000 class A shares, which represent 57.1 percent of the votes, as well as 393,049,043 class B shares, which represent 11.5 percent of the votes. This means that as of 30 November 2015, Ramsbury Invest AB represents 68.6 percent of the votes and 35.5 percent of the total number of shares. Ramsbury Invest AB is owned by Stefan Persson and family, and primarily by Stefan Persson. Karl-Johan Persson is also a shareholder in Ramsbury Invest AB.

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

CORPORATE GOVERNANCE REPORT

H&M has elected to present its corporate governance report as a separate document to the annual report in accordance with Chapter 6 § 8 of the Swedish Annual Accounts Act. The corporate governance report is available at hm.com.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The annual general meeting held on 29 April 2015 adopted the following guidelines for remuneration of senior executives.

The board considers it of the utmost importance that senior executives are paid competitive, attractive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance. The board's proposed remuneration is in the best interests of the company and its shareholders from a growth perspective, since it helps motivate and retain talented and committed senior executives.

Like the guidelines adopted at the 2014 annual general meeting, the board's proposal to the 2015 annual general meeting for guidelines for remuneration of senior executives is divided into two parts: general guidelines and supplementary guidelines.

The general guidelines are aimed at a group of around 50 senior executives and are based on performance in the previous year, linked to certain quantifiable targets set in advance. The supplementary guidelines are aimed at some of these individuals. The supplementary guidelines are based on performance compared with targets set, but are also conditional upon the senior executive remaining employed by the H&M group for at least five years.

The board's reasoning for the supplementary guidelines is as follows: in view of H&M's strong expansion phase and the important development phase that H&M is in, including multi-brand and multi-channel developments, the aim is to ensure that these key individuals in senior positions remain with the H&M group during this important development phase.

General guidelines

The term "senior executives" covers the CEO, other members of executive management, country managers and certain key individuals. The number of individuals covered by the term senior executives is currently around 50.

Compensation for senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at what are considered by the company to

be competitive market rates. Senior executives are also entitled to the benefits provided under the H&M Incentive Program.

H&M is present in more than 40 countries excluding franchise markets and levels of compensation may therefore vary from country to country. Senior executives receive a fixed salary, pension benefits and other benefits such as car benefits. The largest portion of the remuneration consists of the fixed salary. For information on variable components, see the section below.

In addition to the ITP plan, executive management and certain key individuals are covered by either a defined benefit or defined contribution pension plan. The retirement age for these individuals varies between 60 and 65 years. Members of executive management and country managers who are employed by a subsidiary abroad are covered by local pension arrangements and a defined contribution plan. Other than the ITP plan, no defined benefit pension plans have been taken out for executive management since 2005. The retirement age for these is in accordance with local retirement age rules. The cost of these commitments is partly covered by separate insurance policies.

The period of notice for senior executives varies from three to twelve months. No severance pay agreements exist within H&M other than for the CEO.

Pension terms etc. for the CEO

The retirement age for the CEO is 65. The CEO is covered by the ITP plan and a defined contribution plan. The total pension cost shall amount in total to 30 percent of the CEO's fixed salary. The CEO is entitled to 12 months' notice. In the event that the company cancels the CEO's employment contract, the CEO will also receive severance pay of an extra year's salary.

Variable remuneration

The CEO, country managers, certain senior executives and certain key individuals are included in a bonus scheme. The size of the bonus per person is based on the fulfilment of targets in their respective areas of responsibility. The result is linked to the measurable profit targets (qualitative, quantitative, general, individual) set in advance within their respective areas of responsibility. These targets also include measurable targets for sustainability. The targets within each area of responsibility are aimed at promoting H&M's development in both the short and the long term.

For the CEO the maximum bonus is SEK 0.9 m net after tax. For other senior executives the maximum bonus is SEK 0.3 m net after tax. Net after tax means that income tax and social security costs are not included in the calculation. The bonuses that are paid out must be invested entirely in shares in the company, which must be held for at least five years. Since H&M is present in markets with varying personal income tax rates, the net model has been chosen because it is considered fair that the recipients in the different countries should be able to purchase the same number of H&M shares for the amounts that are paid out.

In individual cases other members of executive management, key individuals and country managers may, at the discretion of the CEO and the chairman of the board, receive one-off payments of up to a maximum of 30 percent of their fixed yearly salary.

Supplementary guidelines

In addition to the general guidelines, the board has prepared supplementary guidelines for certain managers and other key individuals, such that these individuals are covered by both the general guidelines

and the supplementary guidelines. The CEO is not, however, included in the supplementary guidelines.

Remuneration according to the supplementary guidelines is based on performance compared with targets set, but is also conditional upon the senior executive remaining employed by the H&M group for at least five years. The five-year rule applies with effect from the year that the annual general meeting adopted the arrangement – which was at the annual general meeting in spring 2014 – up to and including the month of May five years later, i.e. in 2019.

Provided that the abovementioned criteria are met, the senior executives covered by the supplementary guidelines are thus entitled to a cash payment after five years.

At individual level, the cash payment may vary between SEK 0.5 m and SEK 5 m net after tax; the exact distribution per individual will be decided by the CEO and the chairman of the board.

Cost to H&M: The total cost to the company is estimated at around SEK 30 m per year including social security costs over five years.

Miscellaneous

The board of directors may deviate from the guidelines for remuneration of senior executives in individual cases where there is a particular reason for doing so.

Where a board member performs work for the company in addition to his or her board work, a separate fee may be paid for this. This also applies if the work is performed by a company wholly or partly owned by the board member.

THE BOARD'S PROPOSALS TO THE 2016 AGM FOR GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The board's proposal to the annual general meeting on 3 May 2016 in respect of guidelines for remuneration of senior executives is essentially the same as the guidelines adopted at the 2015 annual general meeting.

The board considers it of the utmost importance that senior executives are paid competitive, attractive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance. The board's proposed remuneration is in the best interests of the company and its shareholders from a growth perspective, since it helps motivate and retain talented and committed senior executives.

Like the guidelines adopted at the 2015 and 2014 annual general meetings, the board's proposal to the 2016 annual general meeting for guidelines for remuneration of senior executives is divided into two parts: general guidelines and supplementary guidelines.

The general guidelines are aimed at a group of around 50 senior executives and are based on performance in the previous year, linked to certain quantifiable targets set in advance. The supplementary guidelines are aimed at some of these individuals. The supplementary guidelines are based on performance compared with targets set, but are also conditional upon the senior executive remaining employed by the H&M group for at least five years.

The board's reasoning for the supplementary guidelines is as follows: in view of H&M's strong expansion and the important stage of development that H&M is at, including multi-brand and multi-channel developments, the aim is to ensure that these key individuals in senior positions remain with the H&M group during this important development phase.

Below is a more detailed account of the board's proposal to the 2016 AGM for guidelines:

General guidelines

The term "senior executives" covers the CEO, other members of executive management, country managers and certain key individuals. The number of individuals covered by the term senior executives is currently around 50.

Compensation for senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at what are considered by the company to be competitive market rates. Senior executives are also entitled to the benefits provided under the H&M Incentive Program.

H&M is present in nearly 50 countries excluding franchise markets and levels of compensation may therefore vary from country to country. Senior executives receive a fixed salary, pension benefits and other benefits such as healthcare and car benefits. The largest portion of the remuneration consists of the fixed salary. For information on variable components, see the section below.

In addition to the ITP plan, executive management and certain key individuals are covered by either a defined benefit or defined contribution pension plan. The retirement age for these individuals varies between 60 and 65 years. Members of executive management and country managers who are employed by a subsidiary abroad are covered by local pension arrangements and a defined contribution plan. Other than the ITP plan, no defined benefit pension plans have been taken out for executive management since 2005. The retirement age for these is in accordance with local retirement age rules. The cost of these commitments is partly covered by separate insurance policies.

The period of notice for senior executives varies from three to twelve months. No severance pay agreements exist within H&M other than for the CEO.

Pension terms etc. for the CEO

The retirement age for the CEO is 65. The CEO is covered by the ITP plan and a defined contribution plan. The total pension cost shall amount in total to 30 percent of the CEO's fixed salary. The CEO is entitled to 12 months' notice. In the event that the company cancels the CEO's employment contract, the CEO will also receive severance pay of an extra year's salary.

Variable remuneration

The CEO, country managers, certain senior executives and certain key individuals are included in a bonus scheme. The size of the bonus per person is based on the fulfilment of targets in their respective areas of responsibility. The result is linked to the measurable profit targets (qualitative, quantitative, general, individual) set in advance within their respective areas of responsibility. These targets also include measurable targets for sustainability. The targets within each area of responsibility are aimed at promoting H&M's development in both the short and the long term.

For the CEO the maximum bonus is SEK 0.9 m net after tax. For other senior executives the maximum bonus is SEK 0.3 m net after tax. Net after tax means that income tax and social security costs are not included in the calculation. The bonuses that are paid out must be invested entirely in shares in the company, which must be held for at least five years. Since H&M is present in markets with varying personal income tax rates, the net model has been chosen because it is considered fair that the recipients in the different countries should be

able to purchase the same number of H&M shares for the amounts that are paid out.

In individual cases other members of executive management, key individuals and country managers may, at the discretion of the CEO and the chairman of the board, receive one-off payments of up to a maximum of 30 percent of their fixed yearly salary.

Supplementary guidelines

In addition to the general guidelines, the board has prepared supplementary guidelines for certain managers and other key individuals, such that these individuals are covered by both the general guidelines and the supplementary guidelines. The CEO is not, however, included in the supplementary guidelines.

Remuneration according to the supplementary guidelines is based on performance compared with targets set, but is also conditional upon the senior executive remaining employed by the H&M group for at least five years. The five-year rule applies with effect from the year that the annual general meeting adopted the arrangement – which was at the annual general meeting in spring 2014 – up to and including the month of May five years later, i.e. in 2019.

Provided that the abovementioned criteria are met, the senior executives covered by the supplementary guidelines are thus entitled to a cash payment after five years.

At individual level, the cash payment may vary between SEK 0.5 m and SEK 5 m net after tax; the exact distribution per individual will be decided by the CEO and the chairman of the board.

Cost to H&M: The total cost to the company is estimated at around SEK 30 m per year including social security costs over five years.

Miscellaneous

The board of directors may deviate from the guidelines for remuneration of senior executives in individual cases where there is a particular reason for doing so.

Where a board member performs work for the company in addition to his or her board work, a separate fee may be paid for this. This also applies if the work is performed by a company wholly or partly owned by the board member.

DIVIDEND POLICY

H&M's financial goal is to enable the company to continue enjoying good growth and to be prepared to exploit future business opportunities. It is essential that, as in the past, the company's expansion is able to continue with considerable financial strength and continued freedom of action.

Based on this policy, the board of directors has decided that the total dividend should equal around half of the profit after tax. In addition, the board may propose that any surplus liquidity is also distributed.

The board of directors has decided to propose a dividend of SEK 9.75 per share (9.75) to the 2016 annual general meeting, corresponding to 77 percent (81) of the group's profit after tax.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the annual general meeting:	SEK 16,998,341,330
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The board of directors and the CEO propose a dividend of SEK 9.75 per share	SEK 16,136,952,000
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To be carried forward as retained earnings	SEK 861,389,330
	SEK 16,998,341,330

The board of directors is of the opinion that the proposed distribution of earnings is justifiable taking into consideration the financial position and future freedom of action of the group and the parent company, and observing the requirements that the nature and extent of the business, its risks and future expansion plans impose on the group's and the parent company's equity and liquidity.

Group income statement

SEK M 1 DECEMBER – 30 NOVEMBER	2015	2014
Sales including VAT	209,921	176,620
Sales excluding VAT, note 3, 4	180,861	151,419
Cost of goods sold, note 6, 8	-77,694	-62,367
GROSS PROFIT	103,167	89,052
Selling expenses, note 6, 8	-70,292	-58,525
Administrative expenses, note 6, 8, 9	-5,933	-4,944
OPERATING PROFIT	26,942	25,583
Interest income	310	328
Interest expense	-10	-16
PROFIT AFTER FINANCIAL ITEMS	27,242	25,895
Tax, note 10	-6,344	-5,919
PROFIT FOR THE YEAR	20,898	19,976
All profit for the year is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.		
Earnings per share, SEK*	12:63	12:07
Number of shares, thousands*	1,655,072	1,655,072

* Before and after dilution.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M 1 DECEMBER – 30 NOVEMBER	2015	2014
PROFIT FOR THE YEAR	20,898	19,976
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss</i>		
Translation differences	1,514	1,979
Change in hedging reserves	245	185
Tax attributable to change in hedging reserves	-59	-44
<i>Items that will not be classified to profit or loss</i>		
Remeasurement of defined benefit pension plans	43	-148
Tax related to the above remeasurement	-11	35
OTHER COMPREHENSIVE INCOME	1,732	2,007
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	22,630	21,983

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

COMMENTS ON PROFITS

2015 has been a very expansive year for the H&M group. The group opened 413 new stores net, of which 249 in the fourth quarter, as well as ten new H&M online markets, and successfully established stores in the new markets of India, South Africa, Peru, Taiwan and Macau. In total, at the end of the financial year H&M had stores in 61 markets and offered online sales in 23 of these.

Sales developed well in 2015 for all the group's brands: H&M, H&M Home, COS, & Other Stories, Weekday, Monki and Cheap Monday. During the year sales totalled SEK 210 billion including VAT, which is an increase of 19 percent in SEK. In local currencies the increase was 11 percent. Profit for the year after tax increased to SEK 20.9 billion, which is the group's highest result to date – this despite the fact that the strong US dollar exchange rate made purchasing much more expensive.

For the full financial year, profit after financial items increased to SEK 27,242 m (25,895) – an increase of 5 percent.

Profits in the fourth quarter are mostly explained by the strong US dollar effect on purchasing costs and by the unseasonably mild weather in November in many of the group's large European sales markets and in North America, which led to weaker sales than planned and increased markdowns.

Costs for long-term investments increased for full-year 2015 by approximately SEK 600 m compared to 2014. These long-term invest-

ments aim to further strengthen the H&M group's market position and secure future expansion. The investments are continuing in 2016 and in absolute terms are expected to increase in 2016 by the same amount as in 2015, i.e. an increase of approximately SEK 600 m. The costs of these investments may be divided unequally between the quarters.

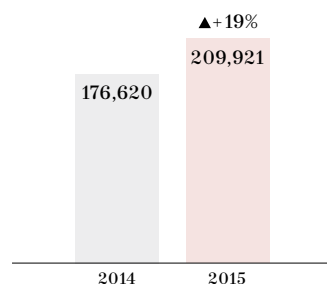
The allocation to the H&M Incentive Program (HIP) is based on 10 percent of the increase in the company's profit after tax between two consecutive financial years (before the contribution to HIP). The allocation must be invested in H&M shares. The amount allocated for the year was SEK 75 m (303). The allocation was expensed in the fourth quarter 2015 and thus affected profit before tax by SEK 75 m (303) and profit after tax by SEK 57 m (230).

TAX

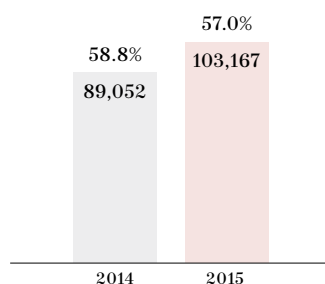
The H&M group's final tax rate for the 2014/2015 financial year was 23.3 percent (22.9). The final outcome of the tax rate for the year depends on the results of the group's various companies, the corporate tax rates in each country and any additional taxes relating to previous years. The H&M group's tax rate for the 2015/2016 financial year is expected to be 22.5–23.5 percent. However, in the first three quarters of 2016 an estimated tax rate of 23.5 percent will be used.

SALES INCLUDING VAT

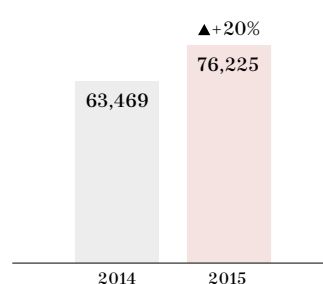
SEK M

**GROSS PROFIT AND GROSS MARGIN**

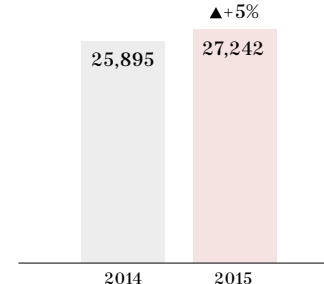
SEK M

**SELLING AND ADMINISTRATIVE EXPENSES**

SEK M

**PROFIT AFTER FINANCIAL ITEMS**

SEK M

**TOP TEN SALES MARKETS**

	2015	2014	CHANGE IN %		30 NOV - 15	2015
	SEK M INC. VAT	SEK M INC. VAT	SEK	LOCAL CURRENCY	NUMBER OF STORES	NEW STORES (NET)
Germany	36,943	34,950	6	2	449	9
USA	25,135	17,278	45	18	415	59
UK	16,001	12,993	23	8	264	11
France	13,579	12,321	10	7	222	17
China	10,559	7,495	41	16	353	83
Sweden	9,495	8,923	6	6	176	0
Italy	8,644	7,140	21	17	150	18
Spain	7,736	6,748	15	11	165	6
Netherlands	7,521	7,320	3	-1	139	4
Switzerland	6,844	5,951	15	-2	96	3
Others*	67,464	55,501	22	18	1,495	203
Total	209,921	176,620	19	11	3,924	413
* Of which franchises	4,494	2,947	52	28	156	26

Group balance sheet

SEK M 30 NOVEMBER	2015	2014	SEK M 30 NOVEMBER	2015	2014
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Intangible fixed assets			Share capital, note 17	207	207
Brands, note 11	114	161	Reserves	1,904	204
Customer relations, note 11	32	45	Retained earnings	55,938	51,145
Leasehold and similar rights, note 11	660	509	EQUITY	58,049	51,556
Capitalised expenditure, note 11	3,245	2,183	LIABILITIES		
Goodwill, note 11	64	64	Long-term liabilities*		
	4,115	2,962	Provisions for pensions, note 18	449	451
Property, plant and equipment			Deferred tax liabilities, note 10	4,378	3,287
Buildings and land, note 12	797	804		4,827	3,738
Equipment, tools, fixtures and fittings, note 12	32,165	26,144	Current liabilities**		
	32,962	26,948	Accounts payable	6,000	5,520
Financial fixed assets			Tax liabilities	–	1,154
Long-term receivables	862	709	Other liabilities	3,192	2,947
Deferred tax receivables, note 10	2,338	2,237	Accrued expenses and prepaid income, note 20	13,745	10,682
	3,200	2,946		22,937	20,303
TOTAL FIXED ASSETS	40,277	32,856	TOTAL LIABILITIES	27,764	24,041
CURRENT ASSETS			TOTAL EQUITY AND LIABILITIES	85,813	75,597
Stock-in-trade	24,833	19,403	Pledged assets and contingent liabilities, note 22	–	–
Current receivables					
Accounts receivable	4,021	3,659			
Tax receivables	379	–			
Other receivables	1,469	1,470			
Prepaid expenses, note 13	1,884	1,516			
	7,753	6,645			
Short-term investments, note 14	–	2,602			
Cash and cash equivalents, note 15	12,950	14,091			
TOTAL CURRENT ASSETS	45,536	42,741			
TOTAL ASSETS	85,813	75,597			

* Only provisions for pensions are interest-bearing.

** No current liabilities are interest-bearing.

FINANCIAL POSITION AND CASH FLOW

The H&M group remains in a strong financial position. The group's equity/assets ratio was 67.6 percent (68.2) and the share of risk-bearing capital was 72.7 percent (72.5).

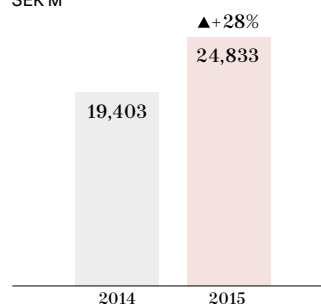
Shareholders' equity apportioned on the outstanding 1,655,072,000 (1,655,072,000) shares as of 30 November 2015 was SEK 35.07 (31.15).

Liquidity management

In 2015 the longest investment period was eight months. The group does not use any derivative instruments in the interest-bearing securities market, nor does it trade in shares or similar instruments. See also note 2, Financial risks.

STOCK-IN-TRADE

SEK M



Group changes in equity

Since there are no minority interests, all shareholders' equity is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB

SEK M	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2014	207	149	55	51,145	51,556
Profit for the year	–	–	–	20,898	20,898
Other comprehensive income					
Translation differences	–	1,514	–	–	1,514
Change in hedging reserves					
Reported in other comprehensive income	–	–	1,826	–	1,826
Reclassified to profit or loss	–	–	-1,581	–	-1,581
Tax related to hedging reserves	–	–	-59	–	-59
Remeasurement of defined benefit pension plans	–	–	–	43	43
Tax related to the above remeasurement	–	–	–	-11	-11
Other comprehensive income	–	1,514	186	32	1,732
Total comprehensive income	–	1,514	186	20,930	22,630
Dividend	–	–	–	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2015	207	1,663	241	55,938	58,049

SEK M	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2013	207	-1,830	-86	46,957	45,248
Profit for the year	–	–	–	19,976	19,976
Other comprehensive income					
Translation differences	–	1,979	–	–	1,979
Change in hedging reserves					
Reported in other comprehensive income	–	–	944	–	944
Reclassified to profit or loss	–	–	-759	–	-759
Tax related to hedging reserves	–	–	-44	–	-44
Remeasurement of defined benefit pension plans	–	–	–	-148	-148
Tax related to the above remeasurement	–	–	–	35	35
Other comprehensive income	–	1,979	141	-113	2,007
Total comprehensive income	–	1,979	141	19,863	21,983
Overdue bonus share rights	–	–	–	48	48
Dividend	–	–	–	-15,723	-15,723
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2014	207	149	55	51,145	51,556

Group cash flow statement

SEK M 1 DECEMBER – 30 NOVEMBER	2015	2014
Current operations		
Profit after financial items*	27,242	25,895
Provisions for pensions	28	-20
Depreciation	6,399	5,045
Tax paid	-7,022	-5,971
Cash flow from current operations before changes in working capital	26,647	24,949
Cash flow from changes in working capital		
Current receivables	-249	-888
Stock-in-trade	-5,105	-2,327
Current liabilities	2,774	2,422
CASH FLOW FROM CURRENT OPERATIONS	24,067	24,156
Investment activities		
Investment in leasehold and similar rights	-324	-35
Investments in other immaterial assets	-1,140	-868
Investment in buildings and land	-2	-21
Investment in equipment	-10,593	-8,467
Change in short-term investments, 4–12 months	2,602	704
Other investments	-153	-21
CASH FLOW FROM INVESTMENT ACTIVITIES	-9,610	-8,708
Financing activities		
Dividend	-16,137	-15,723
CASH FLOW FROM FINANCING ACTIVITIES	-16,137	-15,723
CASH FLOW FOR THE YEAR	-1,680	-275
Cash and cash equivalents at beginning of the financial year	14,091	13,918
Cash flow for the year	-1,680	-275
Exchange rate effect	539	448
Cash and cash equivalents at end of the financial year**	12,950	14,091

* Interest paid for the group amounts to SEK 10 m (16). Received interest for the group amounts to SEK 310 m (328).

** Cash and cash equivalents and short-term investments at the end of the financial year amounted to SEK 12,950 m (16,693).

Parent company income statement

SEK M		
1 DECEMBER - 30 NOVEMBER	2015*	2014
External sales excluding VAT	15	47
Internal sales excluding VAT, note 5	3,605	8,764
GROSS PROFIT	3,620	8,811
Selling expenses, note 6, 8	0	-2,982
Administrative expenses, note 6, 8, 9	-126	-5,316
OPERATING PROFIT	3,494	513
Dividend from subsidiaries	13,288	15,701
Interest income and similar items, note 27	154	59
Interest expense	-7	-25
PROFIT AFTER FINANCIAL ITEMS	16,929	16,248
Year-end appropriations, note 23	17	-10
Tax, note 10	-806	-130
PROFIT FOR THE YEAR	16,140	16,108

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK M		
1 DECEMBER - 30 NOVEMBER	2015*	2014
PROFIT FOR THE YEAR	16,140	16,108
Other comprehensive income		
<i>Items that have not been and will not be reclassified to profit or loss</i>		
Remeasurement of defined benefit pension plans	37	-24
Tax related to the above remeasurement	-8	5
OTHER COMPREHENSIVE INCOME	29	-19
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16,169	16,089

* To simplify administration and internal follow-up, with effect from 1 December 2014 all central functions in Sweden were brought together in one company, H & M Hennes & Mauritz GBC AB. Due to this, the majority of the revenues and costs in the parent company were transferred to H & M Hennes & Mauritz GBC AB.

Parent company balance sheet

SEK M 30 NOVEMBER	2015	2014	SEK M 30 NOVEMBER	2015	2014
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Property, plant and equipment			Restricted equity		
Buildings and land, note 12	71	73	Share capital, note 17	207	207
Equipment, tools, fixtures and fittings, note 12	435	575	Restricted reserves	88	88
	506	648		295	295
Financial fixed assets			Non-restricted equity		
Shares and participation rights, note 24	588	588	Retained earnings	829	877
Receivables from subsidiaries	1,085	905	Profit for the year	16,169	16,089
Long-term receivables	11	11		16,998	16,966
Deferred tax receivables, note 10	43	49			
	1,727	1,553	TOTAL EQUITY	17,293	17,261
TOTAL FIXED ASSETS	2,233	2,201	UNTAXED RESERVES, NOTE 25	447	464
CURRENT ASSETS			LIABILITIES		
Current receivables			Long-term liabilities		
Receivables from subsidiaries	8,471	11,851	Provisions for pensions, note 18	195	223
Tax receivables	–	82	Current liabilities*		
Other receivables	2	44	Accounts payable	5	462
Prepaid expenses, note 13	0	20	Tax liabilities	671	–
	8,473	11,997	Other liabilities	182	325
Short-term investments, note 14	–	2,602	Accrued expenses and prepaid income, note 20	8	379
Cash and cash equivalents, note 15	8,095	2,314		866	1,166
TOTAL CURRENT ASSETS	16,568	16,913	TOTAL LIABILITIES	1,061	1,389
TOTAL ASSETS	18,801	19,114	TOTAL EQUITY AND LIABILITIES	18,801	19,114
			Pledged assets	–	–
			Contingent liabilities, note 26	14,654	13,186

* No current liabilities are interest-bearing.

Parent company changes in equity

SEK M	SHARE CAPITAL	TRANSLATION EFFECTS	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2014	207	88	16,966	17,261
Profit for the year	–	–	16,140	16,140
Other comprehensive income				
Remeasurement of defined benefit pension plans	–	–	37	37
Tax related to the above remeasurement	–	–	-8	-8
Other comprehensive income	–	–	29	29
Total comprehensive income	–	–	16,169	16,169
Dividend	–	–	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2015	207	88	16,998	17,293

SEK M	SHARE CAPITAL	TRANSLATION EFFECTS	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2013	207	88	16,552	16,847
Profit for the year	–	–	16,108	16,108
Other comprehensive income				
Remeasurement of defined benefit pension plans	–	–	-24	-24
Tax related to the above remeasurement	–	–	5	5
Other comprehensive income	–	–	-19	-19
Total comprehensive income	–	–	16,089	16,089
Overdue bonus share rights	–	–	48	48
Dividend	–	–	-15,723	-15,723
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2014	207	88	16,966	17,261

Parent company cash flow statement

SEK M		
1 DECEMBER – 30 NOVEMBER	2015	2014
Current operations		
Profit after financial items*	16,929	16,248
Provisions for pensions	9	-14
Depreciation	145	128
Taxes received/paid	-55	-235
Cash flow from current operations before changes in working capital	17,028	16,127
Cash flow from changes in working capital		
Current receivables	3,442	248
Current liabilities	-971	80
CASH FLOW FROM CURRENT OPERATIONS	19,499	16,455
Investment activities		
Investment in buildings and land	-2	-20
Net investment in equipment	-1	-254
Change in short-term investments, 4–12 months	2,602	702
Other investments	-180	-170
CASH FLOW FROM INVESTMENT ACTIVITIES	2,419	258
Financing activities		
Dividend	-16,137	-15,723
CASH FLOW FROM FINANCING ACTIVITIES	-16,137	-15,723
CASH FLOW FOR THE YEAR	5,781	990
Cash and cash equivalents at beginning of the financial year	2,314	1,324
Cash flow for the year	5,781	990
Cash and cash equivalents at end of the financial year**	8,095	2,314

* Interest paid for the parent company amounts to SEK 7 m (25). Received interest for the parent company amounts to SEK 45 m (59), note 27.

** Cash and cash equivalents and short-term investments at the end of the financial year amounted to SEK m 8,095 (4,916).

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 and home textiles 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 27 January 2016 and will be submitted to the annual general meeting for approval on 3 May 2016.

Ramsbury Invest AB's holding of shares in H & M Hennes & Mauritz AB represents 35.5 percent of all shares and 68.6 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 acquisition costs, 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 IAS 39 to the measurement of financial instruments and does not capitalise development expenditure (IAS 38.57). 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 disclosure requirements applied for 2014/2015 are the same as those applied in the previous year, with the following additions:

- IFRS 10, Consolidated Financial Statements and amended IAS 27, Separate Financial Statements – this standard has been applied to the 2014/2015 financial year. IFRS 10 superseded the section in IAS 27 dealing with the preparation of consolidated financial statements. The amendment concerns how a company is to go about deciding whether it has a controlling interest and thus whether a company is to be consolidated. The standard has been applied retrospectively in accordance with IAS 8, with certain modifications, including relief from retrospective consolidation where this is not practically possible. The standard has had no effect on the group.

- IFRS 12, Disclosure of Interests in Other Entities – this standard has been applied to the 2014/2015 financial year. Companies with participations in subsidiaries, associates, joint arrangements and structured entities are to disclose information concerning these in accordance with IFRS 12. The objective is to enable users of financial statements to assess any effects of the holdings on the financial statements, as well as any risks associated with the holdings concerned. The standard has been applied retrospectively in accordance with IAS 8. The standard has not resulted in the group disclosing additional information.
- IFRIC 21, Levies – this standard has been applied to the 2014/2015 financial year. The interpretation clarifies when a liability for levies (which are covered by IAS 37) is to be recognised. Levies are duties/taxes imposed on companies by government agencies and similar bodies in accordance with laws and/or regulations, with the exception of income taxes, fines and other penalties. The interpretation states that a liability is to be recognised when the company has an obligation to pay the levy as a result of an event that has occurred. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

Future accounting principles and disclosure requirements

A number of new standards, revisions and interpretations of existing standards have been published but have not yet entered into force. Of these, only the standards below are expected to have any effect on the consolidated financial statements.

- IFRS 9, Financial Instruments: Recognition and Measurement (not yet adopted by the EU). This standard is to be applied to annual reporting periods beginning on or after 1 January 2018, when it will replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard has been comprehensively revised in various parts, including in respect of the recognition and measurement of financial assets and financial liabilities. The standard is divided into three parts: classification and measurement, hedge accounting and impairment.

IFRS 9 requires financial assets to be classified in three different measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is made at the time the asset is initially recognised based on the characteristics of the asset and the company's business model. In the case of financial liabilities, there are no significant changes compared to IAS 39. The main change is for liabilities measured at fair value. In this case the part of the change in fair value attributable to a change in the credit risk of the liability is to be presented in other comprehensive income rather than in profit or loss, unless this would create an accounting mismatch.

The second part relates to hedge accounting. IFRS 9 requires additional disclosures concerning risk management and the effects of hedge accounting. In the main, the new principles provide the conditions for a fairer picture of a company's management of financial risks to be reported.

Finally, new principles have been introduced regarding impairment of financial assets using a model based on expected losses. One of the aims of the new model is that reservations for credit losses will be made at an earlier stage.

The group has begun its evaluation of the effects of the new standard.

- IFRS 15, Revenue from Contracts with Customers (not yet adopted by the EU) – this standard applies to annual reporting periods

beginning on or after 1 January 2018 (in the case of H&M, from the 2018/2019 financial year). The standard replaces all previously issued standards and interpretations dealing with revenue (i.e. IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue: Barter Transactions Involving Advertising Services).

IFRS 15 contains an overall model for reporting revenue arising from contracts with customers. The idea is that everything starts with an agreement between two parties concerning the sale of a good or service. Initially a customer agreement is to be identified, which generates an asset (rights, a promise that compensation will be received) and a liability (commitments, a promise to deliver goods/services) for the seller. Under the model the company then reports a revenue item and thereby demonstrates that the company is meeting a commitment to deliver promised goods or services to the customer.

H&M does not expect the standard to make any material difference to the group.

- IFRS 16, Leases (not yet adopted by the EU). The standard applies to annual reporting periods beginning on or after 1 January 2019 and will supersede IAS 17, Leases, and its associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This is based on the approach that the lessee has a right to use an identified asset for a specific period of time and at the same time a liability to pay for this right. Recognition for lessors will essentially be unchanged.

The group has not evaluated the standard, but expects it to result in recognition of material assets and liabilities associated with the group's leases for premises.

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. It is judged that, as at 30 November 2015, there are no such estimates or assumptions made in the financial statements that involve a significant risk of any material adjustment to the values of assets and liabilities in the forthcoming financial year.

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.

Business combinations

In business combinations acquired assets and liabilities are identified and classified and are 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. The minority interest in the case of acquisitions of less than 100 percent is 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 reports in the currency used in the economic environment in which the company concerned mainly operates, known as the functional currency. These reports 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 year than at the beginning of the 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

Receivables and liabilities in foreign currencies are converted at the exchange rate on the closing date. Exchange rate differences arising on translation are reported in the income statement with the exception of exchange rate differences in respect of loans, which are to be regarded as net investment in a foreign business. Exchange rate differences of this type are posted to equity as translation differences via the statement of comprehensive income.

Interest income

Interest income is recognised as it is earned.

Leases

Leases in which a substantial portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Finance leases exist when the financial risks and benefits associated with the ownership of an object are essentially transferred from the lessor to the lessee, regardless of whether the legal ownership lies with the lessor or the lessee. Assets held under finance leases are reported as fixed assets and future payment commitments are reported as liabilities in the balance sheet. As of the closing date the group had no finance leases. Minimum lease fees for operating leases are recognised in the income statement as an expense and distributed linearly over the term of the agreement. The group's main leases are rental agreements for premises. Variable (sales-based) rents are recognised in the same period as the corresponding sales.

Stock-in-trade

Stock-in-trade is valued at the lower of the acquisition cost and the net realisable value. From the moment the goods are transferred from the supplier to the transport service provider appointed by H&M, the goods are owned according to civil law by H&M and become part of H&M's reported stock-in-trade. The net realisable value is the estimated market value less the calculated selling expenses.

Goods that have not yet arrived at a store are valued at their actual acquisition cost including the estimated cost of customs duties and freight. For stock in the stores the acquisition cost is determined by reducing the selling price by the calculated gross margin (retail method).

The composition of the stock-in-trade is good and significant write-downs are extremely rare. There were no material write-downs in the current or previous financial years. Only an insignificant part of the stock-in-trade is measured at net realisable value. The stock-in-trade is assessed to have no material portion of dead stock.

Other provisions

Provisions are reported in the balance sheet when there is an undertaking as a result of an event occurring and it is likely that an outflow of resources will be required for the undertaking and when the amount can be reliably estimated.

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 financial department in accordance with a financial policy established by the board of directors. The financial policy is the most important financial control tool for the company's financial activities and establishes the framework within which the company works. The group's accounting principles for financial instruments, including derivatives, are described in note 19.

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 and accounts payable. 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 risk associated with cash and cash equivalents and short-term investments;
- currency risk associated with flows and financial assets in foreign currencies;
- credit risk associated with financial assets and derivative positions.

Interest risk

Interest risk is the risk that the value of a financial instrument will vary due to changes in market interest rates and that changes in market interest rates may affect net profit. The group's exposure to risk from changes in interest rates relates to cash and cash equivalents and short-term investments. The original term of the investments is a maximum of twelve months by the closing date. The financial policy permits investments of up to two years. The group's cash and cash equivalents and short-term investments as of the closing date amounted to SEK 12,950 m (16,693). The short term means that the

risk of changes in value is limited. An interest rate increase of 0.5 percentage points on this amount would increase interest income by SEK 65 m (83). A corresponding decrease in the interest rate would reduce interest income by the same amount.

Currency risk

Currency risk is, among other things, the risk that the value of financial instruments or future cash flows will vary due to changes in exchange rates.

Currency exposure associated with financial instruments

H&M'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 change in the value of the Swedish krona of 2 percent in relation to other currencies would result in an insignificant momentary effect on profit related to the financial instrument holdings as of the closing date. A 2 percent strengthening of the Swedish krona would have a positive effect on the hedge reserve in equity of around SEK 86 m (53) before taking into account the tax effect, of which SEK 178 m (164) relates to EUR and SEK -233 m (-208) to USD.

The group's exposure to outstanding derivative instruments is reported in note 16.

The group's operating result for the year was affected by exchange rate differences relating to flows of goods in the amount of SEK -254 m (-145).

Transaction exposure associated with commercial flows

The payment flows in the form of payments in foreign currencies for accounts receivable and payable expose the group to currency risk. To manage the currency risk relating to changes in exchange rates the group hedges its currency risk within the framework of the financial policy. The currency risk exposure is dealt with at central level. Most of the group's sales are made in euros, and 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, 100 percent of the group's purchases of goods and the bulk of corresponding forecast inflows from the sales companies are hedged under forward contracts on an ongoing basis. The average term of outstanding forward contracts is around four months. Since the sole purpose of this currency management is to reduce risk, only exposure in the flow of goods is hedged.

Translation exposure on consolidation of units 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 affect the group's net assets on consolidation of the foreign subsidiaries' balance sheets (translation exposure in the balance sheet). No exchange rate hedging (equity hedging) is carried out for this risk.

Credit risk

Investments are only permitted to be made in banks based in countries with a minimum rating of AA- (according to Standard & Poor's long-term rating) and funds are only invested in banks with a minimum rating of A- (Standard & Poor's) and A3 (Moody's). The financial policy stipulates for various ratings the maximum amount that may be invested and the term for which it may be invested. Investments are only allowed in banks defined by Standard & Poor's or Moody's as having systemic importance in the country where they are based. Under Standard & Poor's rating model the bank shall have at least "moderate systemic importance" and under Moody's model the bank shall have at least "one-notch uplift for systemic support". No further investments shall be made in countries or banks which have the minimum allowed long-term rating and a negative outlook. Maximum credit exposure as of 30 November 2015 totalled SEK 18,540 m (21,504) and corresponds to the book value for cash and cash equivalents of SEK 12,950 m (14,091), short-term investments of SEK 0 m (2,602), accounts receivable of SEK 4,021 m (3,659) and other SEK 1,569 m (1,152). Accounts receivable are divided between a large number of customers with low amounts per customer. The average debt was around SEK 2,330 (2,335). Bad debts during the year from accounts receivable were insignificant.

Liquidity risk

In view of the group's good liquidity and good cash flow, H&M sees no need for any borrowing at the present time. The group has no external borrowing as at the closing date.

3. SEGMENT REPORTING

The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics and home textiles 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. Since some countries have similar economic characteristics, such as long-term economic results, these may be combined in segment reporting in accordance with IFRS 8. H&M 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 in a separate Group Functions segment. The same accounting principles are applied to segment reporting as in the consolidated accounts. Transactions between segments take place on normal commercial terms.

	2015	2014
Asia and Oceania		
External net sales	23,610	16,878
Operating profit	1,740	1,999
Operating margin, %	7.4	11.8
Assets excluding tax receivables	11,171	8,876
Liabilities excluding tax liabilities	1,736	1,234
Investments	2,516	1,630
Depreciation	843	522
Europe and Africa		
External net sales	128,200	114,506
Operating profit	4,828	8,720
Operating margin, %	3.8	7.6
Assets excluding tax receivables	33,258	36,865
Liabilities excluding tax liabilities	9,950	9,719
Investments	4,845	3,624
Depreciation	3,578	3,157

Cont. Note 3, Segment reporting

	2015	2014
North and South America		
External net sales	29,051	20,035
Operating profit	619	433
Operating margin, %	2.1	2.2
Assets excluding tax receivables	14,157	10,897
Liabilities excluding tax liabilities	4,712	3,112
Investments	2,966	2,918
Depreciation	1,547	958
Group Functions		
Net sales to other segments	91,297	67,870
Operating profit	19,755	14,431
Operating margin, %	21.6	21.3
Assets excluding tax receivables	24,510	18,959
Liabilities excluding tax liabilities	6,988	5,535
Investments	1,732	1,219
Depreciation	431	408
Eliminations		
Net sales to other segments	-91,297	-67,870
Total		
External net sales	180,861	151,419
Operating profit	26,942	25,583
Operating margin, %	14.9	16.9
Assets excluding tax receivables	83,096	75,597
Liabilities excluding tax liabilities	23,386	19,600
Investments	12,059	9,391
Depreciation	6,399	5,045

Operating results for each segment are based on how the group tracks results internally and may deviate from the fiscal result in each market.

The group's property, plant and equipment amounted to SEK 32,962 m (26,948) as of 30 November 2015. The fixed assets are largely distributed between the countries in accordance with each country's level of sales. In Sweden property, plant and equipment amounted to SEK 1,546 m (1,226) as of 30 November 2015.

4. NET SALES BY MARKET

The group's income is generated mainly by the sale of clothing, accessories, footwear, cosmetics and home textiles to consumers. Sales revenue is reported less value-added tax, returns and discounts as sales excluding VAT in the income statement. Income from store and online sales is reported in conjunction with sale/delivery to the customer. 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 group's income exhibits seasonal variations. The first quarter of the financial year is normally the weakest and the last quarter the strongest.

	2015	NO. OF STORES 30 NOV. 2015	2014	NO. OF STORES 30 NOV. 2014
Sweden	7,606	176	7,184	176
Norway	4,648	120	4,524	118
Denmark	4,334	103	4,097	99
UK	13,799	264	11,196	253

Cont. Note 4, Net sales by market

	2015	NO. OF STORES 30 NOV. 2015	2014	NO. OF STORES 30 NOV. 2014
Switzerland	6,337	96	5,510	93
Germany	31,102	449	29,418	440
Netherlands	6,217	139	6,053	135
Belgium	3,483	85	3,255	78
Austria	4,473	78	4,309	73
Luxembourg	384	10	345	10
Finland	2,269	60	2,178	60
France	11,316	222	10,271	205
USA	23,884	415	16,429	356
Spain	6,453	165	5,606	159
Poland	3,544	154	3,040	140
Czech Republic	999	44	802	43
Portugal	1,038	30	899	30
Italy	7,085	150	5,852	132
Canada	3,517	78	2,798	72
Slovenia	433	12	406	12
Ireland	864	23	688	20
Hungary	1,053	40	832	35
Slovakia	482	18	364	15
Greece	1,332	32	1,081	30
China	9,084	353	6,470	270
Hong Kong	1,870	25	1,548	21
Japan	3,476	57	3,134	51
Russia	2,978	96	2,630	71
South Korea	1,161	31	900	22
Turkey	2,016	46	1,219	30
Romania	1,448	42	1,033	38
Croatia	654	15	619	14
Singapore	906	12	742	10
Bulgaria	426	18	324	16
Latvia	256	6	203	6
Malaysia	937	29	677	18
Mexico	946	16	514	6
Chile	482	4	294	1
Lithuania	245	7	178	6
Serbia	265	6	204	5
Estonia	260	6	185	6
Australia	1,030	10	417	3
Philippines	497	12	44	3
Taiwan	316	6		
Peru	223	2		
Macau	89	2		
India	73	2		
South Africa	86	2		
Franchise	4,485	156	2,947	130
Total	180,861	3,924	151,419	3,511

5. REVENUE FROM GROUP COMPANIES

The parent company's internal sales consist of royalties of SEK 3,457 m (5,735), service income of 0 m (3,029) and other income of SEK 148 m (0) from group companies.

6. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

2015	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	–	-21	-28	-28
Subsidiaries	134	24,056	5,783	458	37
Group total	155	24,056	5,762	430	9

* To simplify administration and internal follow-up, with effect from 1 December 2014 all central functions in Sweden were brought together in one company, H & M Hennes & Mauritz GBC AB. The negative social and pension costs are due to actuarial changes in pension liability.

2014	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	83	918	442	153	52
Subsidiaries	64	19,076	4,491	221	6
Group total	147	19,994	4,933	374	58

Board fees

Board fees paid for the year as approved by the 2014 AGM amounted to SEK 5,525,000 (4,867,000). Board fees were paid as follows:

	SEK
Stefan Persson, chairman	1,500,000
Anders Dahlgvig	625,000
Lottie Knutson	525,000
Sussi Kvart	625,000
Lena Patriksson Keller	525,000
Melker Schörling	525,000
Christian Sievert	675,000
Niklas Zennström	525,000

The fees were paid as resolved at the 2014 annual general meeting. This means that the fees related to the period until the next AGM is held, i.e. the period 29 April 2014 to 29 April 2015. The amounts were paid out after the 2015 AGM.

As of the AGM on 29 April 2015 the board consists of eight ordinary members elected by the AGM. There are also two employee representatives, with two deputies for these positions. Seven members of the board are women, five are men, and four of the 12 are employed by the company.

Board member Lena Patriksson Keller is the sole owner of Patriksson Communication AB, which had business relations with H&M during the year. The transactions took place on market terms and remuneration for 2015 amounted to SEK 0.6 m (1.5). There were no outstanding balances as of 30 November 2015.

Remuneration of senior executives

Based on resolutions on guidelines adopted annually by the AGM. See Administration report, pages 77–78.

Remuneration of the chief executive officer

Remuneration paid to the CEO for the 2015 financial year in the form of salary and benefits amounted to SEK 15.0 m (12.6), which included variable remuneration of SEK 2.0 m (0). 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 3.9 m (3.8). 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 his employment contract, the CEO will also receive severance pay of an extra year's salary. The CEO's terms of employment are determined by the board of directors.

The CEO is not covered by the supplementary guidelines on senior executives (see Administration report, page 77).

Pension for the former CEO

The former CEO retired on 1 September 2009. The total pension commitments entered as liabilities, which are based on the fact that the former CEO receives a pension for the first three years of his retirement equivalent to 65 percent of his fixed salary followed by a life-long pension equivalent to 50 percent of the same salary, amount to SEK 142.1 m (152.8). The change in the year's pension commitments entered as liabilities include actuarial gains of SEK 16.6 m (actuarial losses of SEK 17.8 m). Pension costs for the former CEO are included under "of which pensions to board, CEO, executive management".

Remuneration of other members of the executive management

Remuneration paid to other members of the executive management team in the form of salary and benefits amounted to SEK 66.5 m (65.2) which included variable remuneration of SEK 6.4 m (3.5). In addition to this, an estimated expense of SEK 30.0 m (15.0) has been recognised in respect of remuneration that certain senior executives may receive in accordance with the supplementary guidelines – see further description in the administration report on page 77. This will be paid out no earlier than 2019, in accordance with the guidelines approved at the 2014 AGM. Pension expenses relating to other members of the executive management during the year amounted to SEK 24.9 m (25.7). For most of the year other members of the executive management consisted of 15 individuals, but at year-end comprised 16 (15) individuals, seven of whom are women. In addition to the CEO, the executive management team consists of the heads of the following functions: finance, buying, production, sales & marketing, brand, expansion, IR, accounts, HR, communications, sustainability, security, new business, IT, logistics and business development. There are rules in place for these individuals with respect to supplements to retirement pension beyond the ITP plan. The retirement age varies between 60 and 65. The cost of this commitment is partially covered by separate insurance policies.

During 2015 variable remuneration of SEK 7.9 m (7.4) was paid to country managers. No severance pay agreements exist within the group other than for the CEO as described above. The terms of employment for other members of the executive management are determined by the CEO and the chairman of the board.

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 shares. H&M 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 will be recognised when the amount has been established and an obligation exists.

For 2015 the contribution to the incentive programme was SEK 75 m (303), based on the principle for contributions to HIP that was adopted at the 2013 AGM and is described above. The cost of this contribution was recognised in the fourth quarter 2015.

7. AVERAGE NUMBER OF EMPLOYEES

	2015 Total	Male %	2014 Total	Male %
Sweden	8,061	23	7,489	23
Norway	1,873	11	1,737	10
Denmark	1,538	9	1,585	8
UK	7,178	23	6,489	23
Switzerland	2,109	14	2,040	13
Germany	14,593	19	14,050	19
Netherlands	2,553	16	2,521	15
Belgium	2,254	26	2,084	25
Austria	1,913	11	1,912	10
Luxembourg	161	14	158	12
Finland	1,059	6	1,083	7
France	6,737	23	6,093	23
USA	11,073	36	9,448	36
Spain	4,045	17	3,746	17
Poland	5,980	16	5,469	17
Czech Republic	899	13	820	12
Portugal	698	16	701	17
Italy	4,592	28	3,705	27
Canada	1,445	23	1,264	21
Slovenia	136	9	117	9
Ireland	454	17	398	19
Hungary	533	19	510	20
Slovakia	238	18	196	16

Cont. Note 7, Average number of employees

	2015 Total	Male %	2014 Total	Male %
Greece	897	30	809	18
China	8,743	25	6,983	26
Hong Kong	1,115	32	1,146	33
Japan	1,764	33	1,609	48
Russia	2,101	25	2,044	25
South Korea	764	30	659	30
Turkey	1,828	48	1,430	49
Romania	919	27	897	28
Croatia	328	10	324	10
Singapore	420	35	397	35
Bulgaria	319	26	259	29
Latvia	189	16	209	16
Malaysia	671	56	681	61
Mexico	572	52	352	49
Chile	413	47	251	55
Lithuania	237	8	230	10
Serbia	149	20	151	23
Estonia	247	7	190	9
Australia	555	25	163	33
Philippines	347	49	79	46
Taiwan	210	29		
Peru	204	50		
Macau	53	40		
India	398	55		
South Africa	321	33		
Other countries	748	69	873	67
Total	104,634	24	93,351	24

8. DEPRECIATION

Depreciation has been calculated at 12 percent of the acquisition cost of equipment and leasehold rights, and 20 percent for computer equipment and vehicles. Depreciation on brands and customer relations relating to FaBric Scandinavien AB and capitalised development expenditure is assessed at 10 percent of the acquisition cost. Buildings are depreciated at 3 percent of their acquisition cost. No depreciation is applied to land values. Depreciation for the year is reported in the income statement as follows:

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Cost of goods sold	725	568	–	–
Selling expenses	5,262	4,159	–	–
Administrative expenses	412	318	145	128
Total	6,399	5,045	145	128

9. AUDIT FEES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Ernst & Young				
Audit assignments	26.4	24.1	3.8	3.3
Auditing other than audit assignments	3.9	2.7	0.2	0.6
Tax consultancy	13.0	14.1	0.1	0.4
Other consultancy	1.8	1.1	–	–
Other auditors				
Audit assignments	4.4	4.0	–	–
Total	49.5	46.0	4.1	4.3

10. TAX

Income taxes in the income statement represent current and deferred corporation 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 are deducted or the liabilities are settled, based on the tax rates (and the tax legislation) in force on the closing date. Deferred tax receivables are recognised for all temporary differences unless they relate to goodwill or an asset or a liability in a transaction that is not a company acquisition 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 associated companies are taken into account only to the extent it is likely that the temporary difference will be reversed in the foreseeable future. Deferred tax receivables for temporary differences and loss carry-forwards are recognised only to the extent it is likely that these will be able to be utilised.

The carrying amounts of deferred tax receivables 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 H&M are sometimes involved in tax proceedings of varying extent and at different stages. H&M 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.

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Tax expense (-) / tax receivable (+):				
Current tax				
Tax expense for the period	-5,410	-6,067	-808	-127
Adjusted tax expense for previous years	-85	-62	0	–
Total	-5,495	-6,129	-808	-127
Deferred tax receivable (+) / tax expense (-) in respect of:				
Stock-in-trade	-4	215	–	–
Loss carry-forward	11	-96	–	–
Pension provisions	9	1	2	-3
Tax allocation reserve	-436	-281	–	–
Intangible fixed assets	-212	-174	–	–
Property, plant and equipment	-153	102	–	–
Other temporary differences	-64	443	–	–
Effect of changed tax rates	–	–	–	–
Total	-849	210	2	-3
Total	-6,344	-5,919	-806	-130
Deferred tax recognised in other comprehensive income in respect of:				
Hedging reserves	-59	-44	–	–
Defined benefit pension plans	-11	35	-8	5
Total	-70	-9	-8	5

Cont. Note 10, Tax

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<i>Reconciliation between current tax rate and effective tax rate:</i>				
Expected tax expense according to the Swedish tax rate of 22%	-5,993	-5,697	-3,724	-3,572
Difference in foreign tax rates	-111	-36	-	-
Non-deductible/non-taxable	-155	-124	-1	-12
Other	-	-	-	-
Tax for previous years	-85	-62	0	-
Tax-free dividend subsidiaries	-	-	2,919	3,454
Total	-6,344	-5,919	-806	-130
Recognised deferred tax receivable relates to:				
Pension provisions	136	138	43	49
Property, plant and equipment	250	189	-	-
Loss carry-forward in subsidiaries	17	6	-	-
Stock-in-trade	946	909	-	-
Hedging reserves	-	-	-	-
Other temporary differences	989	995	-	-
Total	2,338	2,237	43	49
Recognised deferred tax liabilities relates to:				
Intangible fixed assets	749	537		
Property, plant and equipment	1,237	895		
Stock-in-trade	336	299		
Tax allocation reserve	1,890	1,454		
Hedging reserves	97	45		
Other temporary differences	69	57		
Total	4,378	3,287		

As of the closing date, the group has no loss carry-forward other than the recognised deferred taxes receivable.

11. INTANGIBLE FIXED ASSETS

Intangible fixed assets with a finite useful life are reported at acquisition cost less accumulated amortisation and any accumulated write-downs. Amortisation is distributed linearly over the assets' expected useful life.

Development costs are capitalised to the extent that it is judged that the company will gain from future financial benefits and if the acquisition cost can be reliably calculated. The reported value includes the direct costs of services and materials acquired, 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 acquisition cost of the subsidiary's shares exceeds the calculated value of the subsidiary's net identifiable assets upon acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets. 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 book value of the asset exceeds the recoverable amount (the higher of the net realisable value and the value in use), the necessary amount is written down. Any write-down is recognised in profit/loss.

Cont. Note 11, Intangible fixed assets

	GROUP	
	2015	2014
Brands*		
Opening acquisition cost	470	470
Acquisitions during the year	-	-
Closing acquisition cost	470	470
Opening amortisation	-309	-262
Amortisation for the year	-47	-47
Closing accumulated amortisation	-356	-309
Closing book value	114	161
Customer relations*		
Opening acquisition cost	131	131
Acquisitions during the year	-	-
Closing acquisition cost	131	131
Opening amortisation	-86	-73
Amortisation for the year	-13	-13
Closing accumulated amortisation	-99	-86
Closing book value	32	45
Leasehold rights and similar		
Opening acquisition cost	1,179	1,285
Acquisitions during the year	315	35
Sales/disposals	-130	-193
Translation effects	8	52
Closing acquisition cost	1,372	1,179
Opening amortisation	-670	-694
Sales/disposals	122	188
Amortisation for the year	-172	-134
Translation effects	-1	-30
Closing accumulated amortisation	-721	-670
Closing book value	651	509
Opening value, projects in progress	-	-
Change for the year	9	-
Translation effects	-	-
Closing value, projects in progress	9	-
Total closing book value	660	509
Capitalised expenditure		
Opening acquisition cost	2,237	1,369
Acquisitions during the year	1,139	868
Closing acquisition cost	3,376	2,237
Opening amortisation	-54	-14
Amortisation for the year	-77	-40
Closing accumulated amortisation	-131	-54
Closing book value	3,245	2,183
Capitalised expenditure refers mainly to IT-related investments. To a small extent these were taken into use during 2013–2015, whereupon amortisation was commenced for these parts. Significant parts of the projects will be taken into use within one to four years. Those projects that are not yet ready for use are tested for impairment annually. This year's impairment testing of these projects did not result in any need for write-downs.		
Goodwill*		
Opening book value	64	64
Adjusted consideration/additional consideration	-	-
Closing book value	64	64

* Brands, customer relations and goodwill assets were added 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.

Cont. Note 11, Intangible fixed assets

A goodwill impairment test was carried out at the end of 2015. 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 assessed 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 14 percent (16) before tax was used. The cash flows are based on H&M's business plan. The growth rate of 2 percent (2) is based on H&M's assessment of the opportunities and risks associated with the business. The discount rate is based on an average weighted capital cost that is estimated to be on a par with the external requirements that the market imposes for similar companies. No impairment was identified and H&M is of the opinion that reasonable possible changes in the variables above would not have such a significant impact that the recovery amount would be reduced to a lower amount than the carrying amount.

12. BUILDINGS, LAND AND EQUIPMENT

Costs relating to property, plant and equipment are reported in the balance sheet if it is likely that the company will gain from future financial benefits associated with the asset and if the asset's acquisition cost can be reliably calculated. Other costs and costs 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 acquisition cost less accumulated depreciation and any accumulated write-downs. Depreciation is distributed linearly over the assets' expected useful life. No depreciation is applied to land. The book value of property, plant and equipment is tested for impairment. If the book value of the asset exceeds the recoverable amount (the higher of the net realisable value and the value in use), the necessary amount is written down. Any write-down is recognised in profit/loss.

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Buildings				
Opening acquisition cost	972	974	112	112
Acquisitions during the year	34	1	34	-
Sales/disposals	-	-45	-	-
Translation effects	31	42	-	-
Closing acquisition cost	1,037	972	146	112
Opening depreciation	-334	-300	-74	-71
Sales/disposals	0	5	0	-
Depreciation for the year	-31	-28	-4	-3
Translation effects	-12	-11	-	-
Closing accumulated depreciation	-377	-334	-78	-74
Closing book value	660	638	68	38
Opening value, projects in progress	32	12	32	12
Change for the year	-32	20	-32	20
Translation effects	-	-	-	-
Closing value, projects in progress	0	32	0	32
Total closing book value	660	670	68	70
Land				
Opening acquisition cost	134	128	3	3
Acquisitions during the year	-	-	-	-
Sales/disposals	-	0	-	-
Translation effects	3	6	-	-
Closing book value	137	134	3	3

Cont. Note 12, Buildings, land and equipment

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Equipment				
Opening acquisition cost	45,266	36,535	983	811
Acquisitions during the year	9,594	8,191	70	218
Sales/disposals	-2,705	-2,272	-52	-46
Translation effects	2,657	2,812	-	-
Closing acquisition cost	54,812	45,266	1,001	983
Opening depreciation	-19,450	-15,212	-477	-398
Sales/disposals	2,451	1,900	52	46
Depreciation for the year	-6,059	-4,783	-141	-125
Translation effects	-986	-1,355	-	-
Closing accumulated depreciation	-24,044	-19,450	-566	-477
Closing book value	30,768	25,816	435	506
Opening value, projects in progress	328	49	69	33
Change for the year	1,000	276	-69	36
Translation effects	69	3	-	-
Closing value, projects in progress	1,397	328	-	69
Total closing book value	32,165	26,144	435	575

The group has no significant leases other than the rental agreements for rented premises entered into on normal market terms. Most of the agreements contain options to extend the term. Rental costs for the 2015 financial year amounted to SEK 20,554 m (17,176), of which sales-based rent amounted to SEK 2,983 m (2,200).

Rent according to the group's rental agreements (basic rent excluding any sales-based rent) amounts to (SEK m):

Rental commitments in next 12 months	14,626 (13,210)
Rental commitments in next two to five years	41,732 (39,680)
Rental commitments more than five years ahead	28,965 (25,727)

13. PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Prepaid rent	1,431	1,041	0	13
Other items	453	475	0	7
Total	1,884	1,516	0	20

14. SHORT-TERM INVESTMENTS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Short-term investments, 4-12 months	-	2,602	-	2,602
Total	-	2,602	-	2,602

The balance sheet item includes interest-bearing investments, i.e. investments in securities issued by banks or in short-term bank deposits.

15. 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.

Cont. Note 15, Cash and cash equivalents

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Cash and bank balances	11,924	12,374	8,095	2,314
Short-term investments, 0–3 months	1,026	1,717	–	–
Total	12,950	14,091	8,095	2,314

Investments are made on market terms and the interest rates are between 0.00 and 10.50 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

16. FORWARD CONTRACTS

All changes in the value of derivatives are recognised initially in equity as a hedging reserve through other comprehensive income. Through other comprehensive income, the fair value is transferred from the hedging reserve to the income statement in conjunction with a hedged transaction taking place.

The table below shows the outstanding forward contracts as of the closing date:

SELL/BUY	Book value and fair value		Nominal amount, SEK		Average remaining terms in months	
	2015	2014	2015	2014	2015	2014
NOK/SEK	9	13	491	402	4	4
GBP/SEK	-23	-18	1,806	1,595	4	4
DKK/SEK	7	-4	449	512	4	4
CHF/SEK	21	-8	613	545	4	4
EUR/SEK	139	-63	10,405	9,419	4	4
PLN/SEK	12	-9	606	508	4	4
USD/SEK	-135	-122	3,414	2,310	4	4
CAD/SEK	-5	-10	450	373	4	4
JPY/SEK	-16	26	591	543	4	4
HKD/SEK	-8	-8	185	155	4	4
RON/SEK	2	0	310	25	4	7
CZK/SEK	0	–	37	–	6	–
HUF/SEK	0	–	49	–	6	–
AUD/SEK	-3	–	55	–	6	–
CNH/SEK	-36	-2	736	65	4	6
RUB/SEK	-13	1	272	38	3	6
TRY/SEK	-27	-2	338	27	3	6
SEK/USD	496	386	14,723	12,434	2	2
SEK/EUR	-15	9	1,384	1,256	2	2
Total	405	189	36,914	30,207		

ASSETS/LIABILITIES 2015	Derivative assets	Derivative liabilities	Total
Gross amounts	547	264	283
Gross amounts set off in the balance sheet	–	–	–
Net amount in balance sheet	547	264	283
Related amounts not set off in the balance sheet			
Financial instruments	-208	-208	0
Net amount	339	56	283
Other instruments not subject to netting agreements	160	38	122
Total in balance sheet	707	302	405

Cont. Note 16, Forward contracts

ASSETS/LIABILITIES 2014	Derivative assets	Derivative liabilities	Total
Gross amounts	144	141	3
Gross amounts set off in the balance sheet	–	–	–
Net amount in balance sheet	144	141	3
Related amounts not set off in the balance sheet			
Financial instruments	-127	-127	0
Net amount	17	14	3
Other instruments not subject to netting agreements	299	113	186
Total in balance sheet	443	254	189

At the closing date, forward contracts with a positive market value amount to SEK 707 m (443), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 302 m (254), which is reported under other current liabilities. Of the outstanding forward contracts, gains of SEK 87 m (116) were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK 318 m (73) is included in the hedging reserve in equity.

Regarding measurement see note 19.

17. SHARE CAPITAL

The share capital is divided between 194,400,000 class A shares (ten 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. The dividend paid per share 2015 was SEK 9.75.

H & M Hennes & Mauritz AB effected bonus issues in the years 1983, 1984, 1985 and 1986, at which times so-called scrips were issued in accordance with the Companies Act effective at that time. A number of bonus share rights have not yet been received for exchange. In accordance with an announcement in June 2009, the corresponding bonus shares were sold on the market in June 2010. The holders of the bonus share rights then had a further four years in which to withdraw their share of the proceeds less the costs of the reminder and sale. The proceeds of the sale in 2010, which totalled SEK 48 m after costs were deducted, were therefore reported as a short-term liability until 30 June 2014. The part of these proceeds for which no valid claim was made accrued to the company and thereby increased equity in 2014.

The group's managed capital consists of shareholders' equity. The group's goal with respect to managing capital is to enable good growth to continue and to be prepared to exploit business opportunities. It is essential that, as in the past, the expansion is able to proceed with a continued high degree of financial strength and continued freedom of action. In view of this, the board of directors has established a dividend policy whereby the dividend should equal around half of the profit for the year after tax. In addition, the board may propose that any surplus liquidity is also distributed. H&M meets the capital requirements set out in the Swedish Companies Act. There are no other external capital requirements.

18. PROVISIONS FOR PENSIONS

H&M 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 the respective plan based on the benefits earned during the previous and current periods. The defined benefit obligations less the fair value of 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 primarily found in Sweden, but also in the UK, Norway, Switzerland, Spain and Germany. Pension obligations are assessed annually with the help of independent actuaries according to the so-called Projected Unit Credit Method. The assessment is made using actuarial assumptions. These assumptions include such things as the discount rate, anticipated salary and pension increases as well as the expected return on managed assets. 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, H&M applies the ITP plan through insurance policies with Alecta and Collectum, i.e. ITP 2 and ITP 1. According to the statement issued by the Swedish Financial Reporting Board (UFR 3), this 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 ITP 1 plan is a defined contribution plan.

Alecta's surplus cannot be allocated to the insured employer and/or the insured employees. As of 30 September 2015, Alecta's consolidation ratio was 148 percent (146). 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		
	2015	2014	2013	2015	2014	2013
Capitalised value of defined benefit obligations	1,373	1,283	993	215	249	239
Fair value of managed assets	-924	-832	-684	-20	-26	-26
Provisions for pension obligations recognised in the balance sheet	449	451	309	195	223	213
Opening balance, 1 December	451	309	377	223	213	229
Recognised pension expenses, net	49	216	-11	-33	36	-6
Premiums paid by employer	-53	-57	-41	-	0	0
Pensions paid out	-18	-17	-16	-15	-26	-10
Disbursements from assets	20	-	-	20	-	-
Carrying amount of defined benefit obligations, 30 November	449	451	309	195	223	213

Of the total recognised obligation, SEK 210 m (232) relates to defined benefit pensions plans in Sweden and SEK 191 m (175) to plans in Switzerland.

The weighted average maturity of these pension plans is 10.5 years for the Swedish plans and 15.3 years for the Swiss plans.

The amounts recognised as pension expenses comprise the following items:

Current service cost	67	49	47	0	4	4
Interest expense	21	26	22	5	8	8
Interest income	-14	-17	-12	-1	-	-1
Reductions/adjustments gains (-) and losses (+)	-	1	0	-	-	0
Past service cost	0	-	10	-	-	0
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	18	9	0	-	-	-
Pension expenses recognised in the income statement	92	68	67	4	12	11
Pension expenses recognised in other comprehensive income						
Actuarial gains/losses financial assumptions asset	-69	-44	-30	-4	-3	-2
Actuarial gains/losses demographic assumptions liability	-	-5	-	-	-	-
Actuarial gains/losses financial assumptions liability	26	197	-48	-33	27	-15
Actuarial gains (-) and losses (+)	-43	148	-78	-37	24	-17
Total recognised pension expenses	49	216	-11	-33	36	-6

The cost of defined contribution pension plans amounts to SEK 437 m (369).

Significant actuarial assumptions on the balance sheet date (weighted average amounts)

Discount rate	1.33%	1.57%	2.59%	2.75%	2.00%	3.00%
Future salary increases	5.00%	2.41%	2.59%	5.00%	5.00%	5.00%
Future pension increases (inflation)	0.42%	0.64%	0.79%	1.75%	1.75%	2.00%

A 0.5 percentage point reduction in the discount rate would increase the liability for the Swedish commitments by SEK 12.9 m (16).

19. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Financial instruments recognised in the balance sheet include on the assets side cash and cash equivalents, accounts receivable, short-term investments, long-term receivables and derivatives. On the liabilities side are accounts payable and derivatives. Financial instruments are reported in the balance sheet when the group becomes a 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.

Financial assets and liabilities at fair value through profit or loss

This category consists of two sub-groups: financial assets and liabilities held for trading, and other financial assets and liabilities that the company initially chose to place in this category when they were first recognised. Assets and liabilities in this category are assessed continually at fair value, with changes in value recognised in profit/loss. No financial assets or liabilities have been classified in this category.

Loans receivable and accounts receivable

This category primarily covers cash and bank balances as well as accounts receivable. Cash and bank balances are valued at amortised cost. Accounts receivable have a short expected term and are recognised at the original invoiced amount without discount, with deductions for doubtful receivables.

Financial assets held to maturity

Financial assets held to maturity are assets with payment flows that are fixed or that can be established in advance and with a fixed term which the group has the express intention and capacity to hold until maturity. Assets in this category are valued at amortised cost, with the effective interest rate being used to calculate the value. As of the closing date, all of the group's short-term investments fell into this category.

Other financial liabilities

Financial liabilities that are not held for trading are valued at amortised cost. Accounts payable fall into this category. These have a short expected term and are recognised at the nominal amount with no discounting.

Reporting of derivatives used for hedging purposes

All derivatives are reported initially and continually 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 of the group's derivatives were in the cash flow hedging category. How these hedging transactions are reported is described below.

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 the 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 category derivatives for hedging recognised at fair value is measured 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. Where outstanding hedging derivatives have a short remaining term, and departures from the above measurement model are considered marginal, a simplified measurement model is used based on spot rates and forward rates.

	Loans receivable and accounts receivable		Financial assets held to maturity		Derivatives for hedging recognised at fair value		Other financial liabilities		Total book value	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Other long-term receivables	–	–	862	709	–	–	–	–	862	709
Accounts receivable	4,021	3,659	–	–	–	–	–	–	4,021	3,659
Other receivables	–	–	–	–	707	443	–	–	707	443
Short-term investments	–	–	–	2,602	–	–	–	–	–	2,602
Cash and cash equivalents	11,924	12,374	1,026	1,717	–	–	–	–	12,950	14,091
Total financial assets	15,945	16,033	1,888	5,028	707	443	–	–	18,540	21,504
Accounts payable	–	–	–	–	–	–	6,000	5,520	6,000	5,520
Other liabilities	–	–	–	–	302	254	–	–	302	254
Total financial liabilities	–	–	–	–	302	254	6,000	5,520	6,302	5,774

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.

20. ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Holiday pay liability	1,235	1,046	–	117
Social security costs	758	670	1	115
Payroll liability	1,153	823	0	43
Costs relating to premises	7,185	5,332	–	7
Other accrued overheads	3,414	2,811	7	97
Total	13,745	10,682	8	379

21. RELATED PARTY DISCLOSURES

Ramsbury Invest AB, which is owned by Stefan Persson and family, is 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 Stefan Persson and family: Drottninggatan 50–52, Drottninggatan 56 and Drottninggatan 57 in Stockholm, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö, Amagertorv 23 in Copenhagen, Oxford Circus and Regent Street in London, Kaufinger Strasse in Munich, Via del Corso/Via Tomacelli in Rome and, since January 2008, premises for H&M's head office in Stockholm. Rent is paid at market rates and totalled SEK 436 m (379) for the financial year.

Karl-Johan Persson received remuneration in the form of salary and benefits amounting to SEK 15.0 m (12.6) which included variable remuneration of SEK 2.0 m (0) for work carried out during the 2015 financial year as CEO of H & M Hennes & Mauritz AB.

Outstanding balances with related parties as of 30 November 2015 totalled SEK 0.7 m (0.2).

22. CONTINGENT LIABILITIES

The group is sometimes involved in various types of disputes, but it is assessed that no current disputes will have any significant impact on the group's results.

23. APPROPRIATIONS

	PARENT COMPANY	
	2015	2014
Group contributions provided	–	–
Depreciation in excess of plan	17	-10
Provision for tax allocation reserve	–	–
Total	17	-10

24. PARTICIPATION IN GROUP COMPANIES

All group companies are wholly owned.

2015	Corporate ID number	No. of shares	Book value	Domicile
Parent company shareholding				
H & M Hennes & Mauritz Sverige AB	556151-2376	1,250	0.1	Stockholm
H & M Online AB	556023-1663	1,150	0.6	Stockholm
H & M Hennes & Mauritz GBC AB	556070-1715	1,000	2.6	Stockholm
H & M Hennes & Mauritz International B.V.		40	0.1	Netherlands
H & M 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
Total			588.5	

2015	Corporate ID number	Domicile
Subsidiaries' holdings		
H & M Hennes & Mauritz AS		Norway
H & M Hennes & Mauritz A/S		Denmark
H & M Hennes & Mauritz Ltd		UK
H & M Hennes & Mauritz SA		Switzerland
H & M Hennes & Mauritz B.V. & Co. KG		Germany
Impuls GmbH		Germany
H & M Hennes & Mauritz Logistics AB Co. KG		Germany
H & M Hennes & Mauritz online shop AB & Co. KG		Germany
& Other Stories 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 Belgium NV		Belgium
H & M Hennes & Mauritz Logistics GBC 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
H & M Hennes & Mauritz LP		USA
Hennes & Mauritz SL		Spain
Hennes & Mauritz Customer 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 CZ, s.r.o.		Czech Republic
Hennes & Mauritz Lda		Portugal
H & M Hennes & Mauritz S.r.l.		Italy
H & M Hennes & Mauritz Inc.		Canada
H & M Hennes & Mauritz d.o.o.		Slovenia
H & M Hennes & Mauritz Ltd		Ireland
H & M Hennes & Mauritz Kft		Hungary
H & M Hennes & Mauritz (Far East) Ltd		Hong Kong
Puls Trading Far East Ltd		Hong Kong
H & M Hennes & Mauritz Holding Asia Ltd		Hong Kong
H & M Hennes & Mauritz Ltd		Hong Kong
Hennes & Mauritz (Shanghai) Commercial Ltd Co		China
H & M Hennes & Mauritz (Shanghai) Trading Ltd Co		China
H & M Hennes & Mauritz (Shanghai) Garment Company Ltd		China
H & M Hennes & Mauritz SK s.r.o.		Slovakia
H & M Hennes & Mauritz A.E.		Greece
H & M Hennes & Mauritz LLC		Russia

Cont. Note 24, Participation in group companies

2015	Corporate ID number	Domicile
H & M Hennes & Mauritz TR Tekstil ltd sirketi		Turkey
H & M Hennes & Mauritz Ltd		South Korea
H & M Hennes & Mauritz SRL		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
FaBric Sales AB & Co. KG Germany		Germany
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
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 & M Hennes & 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		Macau
H & M Hennes & Mauritz Retail Private Limited		India
H & M Hennes & Mauritz INC		Philippines
H & M Hennes & Mauritz New Zealand Limited		New Zealand
H & M Hennes & Mauritz Cyprus Limited		Cyprus

25. UNTAXED RESERVES

	PARENT COMPANY	
	2015	2014
Depreciation in excess of plan	142	159
Tax allocation reserve	305	305
Total	447	464

26. CONTINGENT LIABILITIES

	PARENT COMPANY	
	2015	2014
Parent company's lease guarantees	14,654	13,186
Total	14,654	13,186

27. INTEREST INCOME AND SIMILAR ITEMS

The parent company's interest income and similar items consists of SEK 45 m (59) in interest income and SEK 109 m (0) in translation effects from group companies.

28. KEY RATIO DEFINITIONS**Return on equity**

Profit for the year in relation to average shareholders' equity.

Return on capital employed

Profit after financial items plus interest expense in relation to average shareholders' equity plus average interest-bearing liabilities.

Share of risk-bearing capital

Shareholders' equity plus deferred tax liability in relation to the balance sheet total.

Equity/assets ratio

Shareholders' equity in relation to the balance sheet total.

Equity per share

Shareholders' equity divided by number of shares.

P/E ratio

Price per share divided by earnings per share.

Signing of the annual report

The undersigned hereby provide an assurance that the annual report and consolidated accounts have been drawn up in accordance with IFRS international accounting standards, as adopted by the EU, with good accounting practice, and that they provide a true and fair view of the group's and the parent company's position and earnings, and also

that the administration report provides a true and fair view of the development of the group's and the parent company's business, position and earnings, and also describe the significant risks and uncertainties faced by the companies making up the group.

Stockholm, 27 January 2016

Stefan Persson
Chairman of the Board

Anders Dahlvig
Board member

Lottie Knutson
Board member

Sussi Kvart
Board member

Lena Patriksson Keller
Board member

Melker Schörling
Board member

Christian Sievert
Board member

Niklas Zennström
Board member

Ingrid Godin
Board member

Margareta Welinder
Board member

Karl-Johan Persson
Chief Executive Officer

Our audit report was submitted on 27 January 2016

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of H & M Hennes & Mauritz AB (publ), corporate identity number 556042-7220

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of H & M Hennes & Mauritz AB for the financial year 1 December 2014 to 30 November 2015. The company's annual accounts and consolidated accounts can be found on pages 74–104 of the printed version of this document.

Responsibilities of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated accounts

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Chief Executive Officer 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.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts and the consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers the aspects of internal control that are relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 2015 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act, and 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 2015 and of its financial performance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts

Act. The administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopts the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of H & M Hennes & Mauritz AB for the financial year from 1 December 2014 to 30 November 2015.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive Officer has any liability to the company. We also examined whether any member of the Board of Directors or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, 27 January 2016
Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

— OUR HISTORY —

H&M through the years

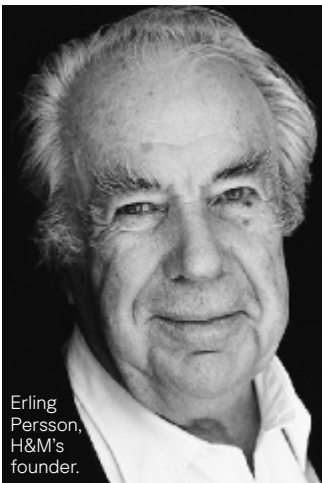
In 1947 Erling Persson opened a store called Hennes in Västerås, Sweden. Today the H&M group is a global fashion company with several clearly defined fashion brands that inspire customers around the world to dress in their own personal style.



The very first store, Hennes in Västerås, Sweden.

1947

The story of H&M begins when founder Erling Persson opens the first store in Västerås, Sweden, selling women's clothing. The store is called Hennes.



Erling Persson, H&M's founder.

1964

The first store outside Sweden opens in Norway.

1968

The name is changed to Hennes & Mauritz when Erling Persson buys the hunting and fishing store Mauritz Widforss in Stockholm and a stock of men's clothing comes with the store. This is the start of sales of men's and children's clothing.

1974

H&M is listed on the Stockholm Stock Exchange.

1976

The first store outside Scandinavia opens in London.

1980–1999

Global expansion takes off with new markets such as Germany, the Netherlands, Belgium, Austria, Luxembourg, Finland and France.

2000

The first H&M stores in the US and Spain open in 2000. In subsequent years H&M opens in more European markets.

2004

H&M's first designer collaboration starts with Karl Lagerfeld, to be followed by collaborations with some of the world's biggest designers and fashion icons.

2006

Major expansion of online shopping at hm.com begins in Europe. The first franchise stores open, in the Middle East.



The first designer collaboration, with Karl Lagerfeld in 2004.

2007–2009

The H&M Foundation is founded in 2007 as a non-profit global foundation. The first H&M stores in East Asia open in Hong Kong, Shanghai and Tokyo. New brands are added: COS is launched in 2007, while in 2008 H&M acquires the fashion company FaBric Scandinavien AB and with it the brands Cheap Monday, Monki and Weekday. H&M Home is launched in 2009.



2010

The first H&M Conscious Collection is launched, made with more sustainable materials such as organic cotton and recycled polyester. Store number 2,000 opens in Osaka, Japan.

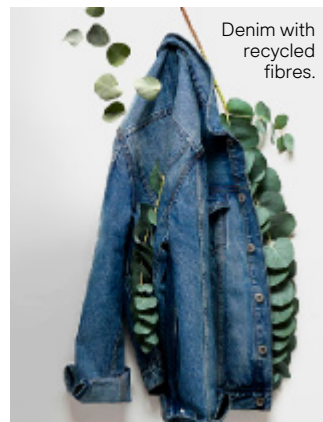
2011

The H&M Incentive Program (HIP) for all H&M employees is started with a gift of around SEK 1 billion, invested in H&M shares, from Stefan Persson and family. HIP works the same way for everyone in the H&M group – regardless of salary, role, country and whether full- or part-time.



2013

Launch of the fashion brand & Other Stories. H&M opens its online store in the US. The world's 3,000th H&M store opens in Chengdu, China, and the first H&M stores in the southern hemisphere open in Chile and Indonesia. H&M starts Garment Collecting with the aim of closing the loop for textiles, becoming the first fashion company to offer clothes collection in stores globally for reuse or recycling.



2014

Launch of the first denim garments made using recycled fibres from H&M's Garment Collecting. Australia and the Philippines become new H&M markets, and the online store opens in four new countries including China. The new H&M Sport is launched and H&M's shoe concept is extended and updated.

2015

India and South Africa are just two of five new H&M markets. Shop online opens in another ten countries. Launch of the new H&M Beauty concept. The H&M Foundation announces the Global Change Award, supporting and encouraging innovation for a more circular fashion industry.




Contact details

HEAD OFFICE	H & M Hennes & Mauritz AB, Mäster Samuelsgatan 46A, 106 38 Stockholm, Sweden Telephone: +46 (0)8 796 55 00	
	For information about H&M and addresses of the country offices, please see hm.com.	
CONTACTS	CEO Karl-Johan Persson FINANCE Jyrki Tervonen ACCOUNTS Anders Jonasson BUYING Stina Westerstad DESIGN Pernilla Wohlfahrt SALES & MARKETING Mattias Ankarberg PRODUCTION Helena Helmersson SUSTAINABILITY Anna Gedda EXPANSION Martino Pessina	NEW BUSINESS Madeleine Persson BRAND Anna Tillberg Pantzar COMMUNICATIONS Kristina Stenvinkel INVESTOR RELATIONS Nils Vinge HUMAN RESOURCES Helena Thybell IT Morten Halvorsen LOGISTICS Patrik Berntsson SECURITY Cenneth Cederholm BUSINESS DEVELOPMENT Kjell-Olof Nilsson
DISTRIBUTION POLICY	H&M sends out the printed version of the annual report to shareholders who have specifically expressed an interest in receiving the printed version. The annual report is also available to read and download at hm.com.	

Annual general meeting

TIME AND PLACE	The annual general meeting 2016 will be held at the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna, on Tuesday 3 May 2016 at 3 p.m.	
	Shareholders who are registered in the share register printout as of Wednesday 27 April 2016 and give notice of their intention to attend the AGM no later than Wednesday 27 April 2016 will be entitled to participate in the AGM.	
NOMINEE SHARES	Shareholders whose shares are registered in the name of a nominee must re-register their shares in their own name in order to be entitled to participate in the AGM. In order to re-register shares in time, shareholders should request temporary owner registration, which is referred to as voting right registration, well in advance of 27 April 2016.	
NOTICE OF ATTENDANCE	Shareholders must provide notice of their intention to participate in the AGM by post, fax, telephone or via H&M's website to:	H & M Hennes & Mauritz AB Head Office/Carola Ardéhn SE-106 38 Stockholm Telephone: +46 (0) 8 796 55 00 Fax: +46 (0) 8 796 55 44 hm.com/agm
	Shareholders must provide their name, civil identity number and telephone number (daytime) when providing notice of their intention to participate.	
DIVIDEND	The board of directors and the CEO have decided to propose to the annual general meeting a dividend for 2015 of SEK 9.75 per share. The board of directors has proposed 6 May 2016 as the record day. With this record day, Euroclear Sweden AB (formerly VPC AB) is expected to pay the dividend on 11 May 2016. To be guaranteed dividend payment, the H&M shares must have been purchased no later than 3 May 2016.	

Financial information

CALENDAR	H & M Hennes & Mauritz AB will provide the following information:		COVER H&M Conscious Exclusive Spring 2016 photographed by Daniel Jackson. <i>The annual report is printed on FSC® certified paper.</i>
	8 March 2016	Extraordinary general meeting at H&M, Mäster Samuelsgatan 46A, Stockholm at 4.30 p.m.	 MIX Paper from responsible sources FSC® C021184
	6 April 2016	Three-month report	
	3 May 2016	Annual general meeting 2016 in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna at 3 p.m.	
	22 June 2016	Six-month report	
	30 September 2016	Nine-month report	
	31 January 2017	Full-year report	



Jacket
€129

Dress
€149

