

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES FOR ADOPTION AT THE 2009 AGM, item 15

The guidelines proposed by the Board for adoption at the 2009 Annual General Meeting differ slightly from the guidelines adopted at the 2008 AGM. See below for the Board's proposals to the 2009 AGM.

The term "senior executives" covers the Managing Director, other members of executive management, country managers and other key individuals. The number of individuals covered by the term senior executives is currently around 40.

Compensation for senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at competitive market rates. H&M is present in more than 30 countries and levels of compensation may therefore vary from country to country. Senior executives receive a regular basic salary, pension benefits and other benefits such as car benefits. The largest portion of the remuneration consists of the fixed salary. For 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. The retirement age for these is in accordance with local retirement age rules. The cost of these commitments is covered in part by separate insurance policies. The period of notice for senior executives varies from three to twelve months. No severance pay is payable within H&M, except in the case of the Managing Director.

Pension benefits etc. for Managing Director Rolf Eriksen

The retirement age for Managing Director Rolf Eriksen is 65. He will reach this age in autumn 2009. During the first three years of his retirement, Rolf Eriksen will receive a pension equivalent to 65 percent of his fixed salary followed by a lifetime pension equivalent to 50 percent of the same salary.

Variable remuneration

The Managing Director Rolf Eriksen, 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 0.1 percent of the increase in the dividend approved by the Annual General Meeting and the fulfilment of targets in their respective areas of responsibility. The maximum bonus per person and year has been set at SEK 0.3 m net after tax. Net after tax means that income tax and social fees are not included in the calculation. In the case of the Head of Sales, the bonus is based on 0.2 percent of the dividend increase, with a maximum of SEK 0.6 m net after tax. For the Managing Director Rolf Eriksen, the bonus is 0.3 percent of the dividend increase, up to a maximum of SEK 0.9 m net after tax. 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. The future Managing Director may be covered by the bonus scheme according to the principles and within the parameters outlined above.

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

Miscellaneous

The Board of Directors may deviate from these guidelines in individual cases where there is a particular reason for doing so.