

## **STATEMENT PURSUANT TO THE SWEDISH CODE OF CORPORATE GOVERNANCE, SECTION 10.3 LAST PARAGRAPH**

According to the Swedish Code of Corporate Governance, the Board of Directors is to report the results of:

- the evaluation of programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management (the Code 9.1, second bullet point);
- the evaluation of the application of the guidelines for remuneration to senior executives that the Annual General Meeting is obliged to establish, as well as the current remuneration structures and levels in the company (the Code 9.1, third bullet point).

To read the company's complete guidelines for remuneration to senior executives see the company's website and page 7 of the Administration Report in H&M in Figures 2011, which includes the annual accounts and the consolidated accounts.

### **Evaluation of variable remuneration**

H&M's variable remuneration system (bonus scheme) is based primarily on the fulfilment of targets within the respective senior executive's area of responsibility. The size of the bonus per person is limited to 0.1 – 0.3 percent (depending on the recipient) of the dividend increase established by the Annual General Meeting. The maximum bonus per person has been set at SEK 0.3 – 0.9 m (depending on the recipient) net after tax.

The variable remuneration that was charged to profit for 2011 relates the senior executives' fulfilment of targets for 2010. The senior executives' bonuses which were paid out in 2011 amounted to SEK 7.3 (0.8) m. The country managers' bonuses amounted to SEK 6.1 (3.9) m and the Managing Director's bonus amounted to SEK 2.1 (0.2) m. The level of bonuses reflects the fact that 2010 was a more normal year than 2009, during which the ongoing financial crisis had a substantial impact.

The Board of Directors of H & M Hennes & Mauritz AB has concluded that the company's bonus scheme is appropriate for its purpose. The largest portion of remuneration is fixed salary. This ensures that the incentive for individual senior executives to focus on the best interests of the entire company is maintained. At the same time, a limited level of variable remuneration serves as an incentive for the fulfilment of certain defined targets. The bonus amounts are to be invested in their entirety in shares in the company and the shares must be held for at least five years.

## **Evaluation of guidelines for senior executives' remuneration and current remuneration structures**

The Board of Directors has concluded that H&M pays remuneration that is both in line with the market in general and competitive. The largest portion of remuneration consists of fixed salary. The variable remuneration, which is based on the fulfilment of targets within the respective area of responsibility and on whether or not there has been a dividend increase (see above), is deemed to be moderate and straightforward. Linking variable remuneration to dividend increases is based on the premise that if dividends for shareholders increase, it is appropriate to pay variable remuneration to senior executives. The maximum amounts of variable remuneration have been the same for a number of years.

The company's pension terms are in line with what is generally offered in the market. No severance pay agreements exist other than with the Managing Director.

H&M has established the H&M Incentive Program, a profit-sharing scheme for all employees. Contributions are made to an employees' foundation that will allocate units to employees who have worked for the company for a certain period of time. The Board of Directors believes that this is an effective way of rewarding employees for their efforts.

All things considered, the Board of Directors believes that H&M has a moderate but appropriate remuneration system with respect to both structures and levels in the company.

The Board of Directors

March 2012

