

## **H & M Hennes & Mauritz AB (publ)**

### **Extraordinary General Meeting of 20 October 2010**

#### **Item 7. The Board's proposal for the establishment of an incentive programme for all employees of the H&M Group.**

##### Background

Stefan Persson and family have made it known to the company's Board of Directors that they intend to make a donation in January 2011 for the formation of a Swedish foundation, STIFTELSEN H&M INCENTIVE PROGRAM (the Foundation), with a view to creating the basis of an incentive programme for all employees of the H&M Group in all the countries in which it operates (the Programme). The donation, which is subject to the general meeting of shareholders mandating the Board of Directors to establish the Programme, will comprise 4,040,404 class B shares in H & M Hennes & Mauritz AB, with an equivalent value of SEK 1 billion at the closing price on 6 September 2010.

It is proposed that the Programme be designed in the main as follows. All employees throughout the H&M Group – regardless of their position – will be included in the Programme according to the same principles, based on length of employment. The number of years that the employee has worked for the company will be taken into account in the qualification period which, unless local rules require otherwise, will be five years. Payments will commence once the employee has reached 62 years of age. It will also be possible, however, for payments to be made after ten years of employment – but no earlier than 2021.

Since H&M operates in many different countries, there may be local variations as a result of differences in laws and regulations in areas such as tax and employment law to which the Programme must be adapted.

In addition to the initial donation from Stefan Persson and family, which will be allocated to those entitled to shares gradually over time, it is proposed that – until the general meeting of shareholders resolves otherwise – an amount equivalent to 10 percent of the increase in H & M Hennes & Mauritz AB's dividend relative to the previous year's dividend will be transferred annually from the H&M Group into the Programme. The original donation and the funds transferred into the Programme over time will be managed by the Foundation, which will invest in H&M shares. The Foundation's shareholding in H & M Hennes & Mauritz AB shall be limited to 5 percent.

The Foundation's assets may only be used for the benefit of employees of the H&M Group. The Board of Directors of H & M Hennes & Mauritz AB shall appoint all the members of the Board of the Foundation.

The annual cost of the Programme to the Group will depend on the increase in the company's dividend compared with the previous year's dividend.

For example, if the Programme had been effective previously: since the increase in dividend between 2009 and 2010 was SEK 414 million, the cost to the Group in 2010 would have been around SEK 41 million (i.e. SEK 0.025 per share).

Note that in 2010 H&M implemented a 2:1 share split. The above example is based on the new number of shares, which is 1,655,072,000.

##### Proposed resolution

The Board of Directors proposes that the general meeting of shareholders mandates the Board to establish an incentive programme, the H&M INCENTIVE PROGRAM, in accordance with what has been proposed, to draw up the necessary detailed rules of the Programme and otherwise to take the actions required to implement the Programme.

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