

H & M Hennes & Mauritz AB (publ)

Extraordinary General Meeting of 20 October 2010

Item 8. The Board's proposed supplement to the "Guidelines for remuneration to senior executives".

The Annual General Meeting held on 29 April 2010 approved guidelines for remuneration to senior executives in accordance with the Swedish Companies Act. In view of the proposal to establish an incentive programme covering all employees of the H&M Group, the Board proposes that the Extraordinary General Meeting supplements these guidelines with a new second paragraph as shown below. The guidelines would then be worded as follows (proposed new text in italics):

"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.

Senior executives are entitled to the benefits provided under the H&M Incentive Program.

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.

H&M is present in more than 30 countries and the 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. 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 is payable within H&M, except in the case of the Managing Director.

Pension terms etc. for the Managing Director

The retirement age for the Managing Director is 65. The Managing Director is covered by the ITP plan and a defined contribution plan. The total pension cost shall not exceed a total of 30 percent of the Managing Director's fixed salary. The Managing Director is entitled to 12 months' notice. In the event the company cancels the employment contract, the Managing Director will receive severance pay of an additional year's salary.

Variable remuneration

The Managing Director, 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, 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.

In individual cases other members of executive management, key individuals and country managers may, at the discretion of the Managing Director and the Chairman of the Board, 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 particular reason for doing so.”
