

## **Account of the work of H&M's Election Committee ahead of the 2007 Annual General Meeting**

In accordance with the principles of the Election Committee, which were adopted at the 2006 AGM, the Election Committee shall be made up of the five largest shareholders in terms of the number of votes plus the Chairman of the Board as at 31 August 2006. Since JP Morgan Chase Bank and AMF Pension – two shareholders that were among the five largest shareholders in terms of the number of votes on this date – declined to participate in the Election Committee, in accordance with the principles of the Committee the next largest shareholder was given opportunity to appoint a member.

For the period up to the 2007 AGM H&M's Election Committee comprised:  
Stefan Persson, Chairman of the Board, representing Stefan Persson,  
Lottie Tham representing Lottie Tham,  
Tomas Nicolin representing Alecta,  
Mats Lagerqvist representing Swedbank Robur Fonder,  
Björn Lind representing SEB Fonder,  
Joachim Spetz representing Handelsbankens Fonder.

The members of the Election Committee represent around 75 percent of the votes in H & M Hennes & Mauritz AB. The above Election Committee shall remain in place until the end of August 2007.

The Election Committee appointed Stefan Persson as chairman of the Election Committee, on the grounds that this may be deemed an obvious choice in view of the ownership structure of H&M.

The Election Committee has made it known that it will propose that the Annual General Meeting on 3 May 2007 decide on the following matters:

- the chairman of the meeting
- the Board of Directors and Chairman of the Board
- Board fees and their distribution, as well as auditors' fees
- principles for the Election Committee

### **Work of the Election Committee**

Since the 2006 AGM the Election Committee has held two minuted meetings and the members have also been in contact with each other on other occasions. At the meetings Stefan Persson has given a verbal report on the work of the Board, which has functioned well over the year.

In addition to the Election Committee's own proposals for the composition of the Board, two external proposals have been received during the year for changes to the Board. The first of these expressed a desire to see younger members on the Board and proposed that the deputies elected by the meeting should not form part of the Board. The second proposal concerned a desire to see more female Board members.

In accordance with the rule in the Swedish Code of Corporate Governance which states that deputies elected by the meeting are not to form part of the Board, the Election Committee will propose to the AGM that the present deputy Board member Rolf Eriksen leave the Board. No deputies will therefore be proposed.

At the 2006 AGM two new members, Lottie Knutson and Karl-Johan Persson, were elected to the Board. Their election lowers the average age of the Board and brings about a change in expertise, as well as doubling the number of female members elected by the AGM, and consequently the Election Committee finds no reason to propose any change other than that mentioned above.

This means that the Election Committee is proposing the re-election of eight regular Board members. The proposed composition of the Board meets the requirements of the Stockholm Stock Exchange concerning independent members.

The proposed composition also meets the Code's rule that at least two of the Board members who are independent of the company and the company management are also independent of the company's major shareholders.

In the opinion of the Election Committee, half of the proposed Board members are independent of the company and the company management. The proposed composition of the Board thus deviates from the Code's rule stating that a majority of the Board members elected by the general meeting must be independent of the company and the company management.

According to the Code, independent means – among other things – that a Board member should not sit on the Board for more than twelve years and not be employed by the company. Three of the eight proposed Board members have sat on H&M's Board of Directors for more than twelve years and are thus deemed not to be independent: Stefan Persson, Fred Andersson and Stig Nordfelt. Karl-Johan Persson, who is an employee of the company, is also deemed to be non-independent under the Code.

The explanation for the deviation is that it is proposed that H&M, which has developed very well for many years, should continue to have a Board made up of members with a long-established, thorough knowledge of the company.

### **The Election Committee's proposed resolutions**

The Election Committee proposes the following resolutions to the 2007 AGM:

- Lawyer Sven Unger as chairman of the meeting.
- Eight Board members and no deputies.
- The Election Committee proposes that the total Board fees remain unchanged at SEK 3,900,000. The Election Committee proposes that the Board fees for each member elected by the AGM be distributed as follows: Chairman of the Board SEK 1,250,000; members SEK 350,000; members of the Auditing Committee an extra SEK 50,000; and the chairman of the Auditing Committee an extra SEK 100,000. The amounts are the same as those proposed and approved in the previous year.
- It is proposed that, as previously, the auditors' fees be paid based on the invoices submitted.
- Re-election of all the Board members: Fred Andersson, Lottie Knutson, Sussi Kwart, Bo Lundquist, Stig Nordfelt, Karl-Johan Persson, Stefan Persson and Melker Schörling. Chairman of the Board: re-election of Stefan Persson.

- Establishment of principles for the Election Committee. See Annex 1.

More detailed information on the proposed Board members can be found on at [www.hm.com](http://www.hm.com) under Investor Relations, Corporate Governance, Board of Directors.

Election Committee, March 2007

### **Annex 1.**

The Election Committee proposes to the 2007 AGM the following principles for the appointment of a new Election Committee:

The company shall have an Election Committee made up of the Chairman of the Board plus four other members representing each of the four largest shareholders in terms of the number of votes, not including the shareholder that the Chairman of the Board may represent.

The largest shareholders in terms of the number of votes will be contacted based on the company's register of shareholders (by shareholder group) held by VPC as at 31 August 2007. Any shareholder not registered with VPC which wishes to exercise its right shall notify this to the Chairman of the Board and shall be able to substantiate its shareholding. The Chairman of the Board shall contact the four largest shareholders in terms of the number of votes as described above as soon as possible after the end of August and ask them to each appoint a member. If any of the shareholders declines the right to appoint a member of the Election Committee the next largest shareholder shall be given opportunity to appoint a member. The names of the shareholders' representatives and the names of the shareholders that they represent shall be announced at least six months prior to the AGM. The term of office of the Election Committee shall continue until a new Election Committee is appointed. Unless the members agree otherwise, the chairman of the Election Committee shall be the member representing the largest shareholder. Should a member leave the Election Committee before its work is complete and the Election Committee deems it necessary to replace this member, the Election Committee shall appoint a new member. No fees shall be paid to the members of the Election Committee. The Election Committee may charge to the company any reasonable costs for travel expenses and investigations.

The Election Committee shall submit proposals to the AGM for:

- election of the chairman of the meeting,
- election of the Chairman of the Board and the other members of the company's Board,
- fees to the Board, distributed between the Chairman and the other Board members, as well as any compensation for committee work,
- election of and fees to auditors and deputy auditors (where applicable).
- resolution on principles for the appointment of a new Election Committee.