

PROPOSED RESOLUTION ON GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES, ITEM 14

The Board's proposal for guidelines for adoption at the 2012 AGM is the same as the guidelines that were adopted by the AGM 2011.

The term "senior executives" covers the Managing Director, other members of executive management, country managers and certain 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 what are considered by the company to be competitive market rates. Senior executives are also entitled to the benefits provided under the H&M Incentive Program.

H&M is present in more than 30 countries excluding franchise markets and 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 agreements exist within H&M other than for 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 amount in total to 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 Managing Director's employment contract, the Managing Director will also receive severance pay of an extra 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 a certain percentage of the increase in the dividend approved by the Annual General Meeting and the fulfilment of targets in their respective areas of responsibility. For the Managing Director, the bonus is based on 0.3 percent of the dividend increase up to a maximum of SEK 0.9 m net after tax. In the case of the Head of Sales the bonus is based on 0.2 percent of the dividend increase, up to a maximum of SEK 0.6 m net after tax. For other personnel the figure is 0.1 percent of the dividend increase, with a maximum of SEK 0.3 m net after tax. Net after tax means that income tax and social security costs are not included in the calculation.

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 a particular reason for doing so.