

PROPOSED RESOLUTION AMENDING THE BASIS FOR CONTRIBUTIONS TO THE H&M INCENTIVE PROGRAM (HIP), item 16

The H&M Incentive Program (HIP) is an incentive scheme aimed at all employees of the H&M Group. The decision to establish HIP was taken at an Extraordinary General Meeting held in autumn 2010.

The Board of Directors is proposing to the 2013 AGM a change in the basis for future contributions to HIP. Like the proposal to amend the guidelines for senior executives, the change involves removing the link to the increase in dividend. Instead it is proposed that the basis for future contributions to HIP shall be 10 percent of the increase in the company's profit after tax between two successive financial years. The increase in profit will be calculated on profit after tax before any contribution to HIP. Thus when calculating the contribution to HIP for Year 2, the year's profit after tax is compared with Year 1's profit after tax before any contribution to HIP. This ensures that the two years are compared on a like-for-like basis; in other words, profit after tax before any contribution to HIP.

The contribution to HIP for a financial year will be expensed in the year to which it relates. Example: Profit after tax in Year 1 is 100. Profit after tax in Year 2 is 130. The contribution is then 3 and is expensed in Year 2.

Like the current system, the proposed new system will again include a ceiling that limits the size of the contribution when the increase in profit between two years may be deemed disproportionately large. Again, it is proposed that the link to the dividend is removed and that the limit is instead reformulated as 2 percent of profit for the year after tax before any contribution to HIP.

The reason for changing the basis for future contributions to HIP is to link the contributions more directly to the profit achieved by the company. This should better reflect the employees' efforts during the year and should also be easier for employees to understand compared with the current system, which is based on the dividend decided by the Annual General Meeting.

The proposed new system will be more or less cost-neutral for the company compared with the present system.

If the 2013 AGM approves the proposal, it is possible that the first contribution to HIP based on an increase in profit could be made as early as for the financial year ending on 30 November 2013.