

PROPOSED RESOLUTION AT THE 2008 ANNUAL GENERAL MEETING CONCERNING GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The term senior executives covers the Managing Director, other members of the executive management team and country managers.

Compensation to senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at competitive market rates. H&M has a presence in more than 20 countries and therefore levels of compensation may vary between countries. The greatest share of the remuneration consists of a regular basic salary. For variable components see the section below.

Senior executives receive a regular basic salary, pension benefits and certain executives also receive other benefits such as car benefits.

The Managing Director, certain members of the executive management team and all the country managers may also receive a bonus. In addition to the ITP plan, the executive management team is covered by either a benefit-based or a premium-based pension solution. The retirement age for the members of the executive management team, with the exception of the Managing Director, varies between 60 and 65 years. Members of the executive management team and country managers that are employed by a subsidiary abroad are covered by local pension arrangements as well as a premium-based pension solution. The retirement age for these is in accordance with local rules on retirement age. The cost of these commitments is partly covered by separate insurance policies.

The notice period 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. He receives a pension of 65 percent of regular salary for three years and thereafter a lifetime pension equivalent to 50 percent of that salary. The Managing Director is entitled to 12 months' notice. In the event that the company cancels his employment contract, the Managing Director will receive severance pay of an extra year's salary in addition to the 12 months' notice.

Variable remuneration

The Managing Director, country managers and certain senior executives are included in a bonus system. The size of the bonus per person is based on 0.1 percent of the increase in 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 million net after tax. In the case of the Managing Director the bonus is 0.3 percent of the dividend increase, up to a maximum of SEK 0.9 million net after tax. The bonus paid must be invested entirely in shares in the company, which must be held for at least five years.

In certain cases other members of the executive management team as well as country managers may receive further one-off payments, up to a maximum of 30 percent of regular salary, at the discretion of the Board or Managing Director.

Miscellaneous

The Board may deviate from the guidelines where there is particular reason to do so in individual cases.

The proposed guidelines are the same as those adopted by the 2007 Annual General Meeting.