

## **Account of the work of H&M's Election Committee ahead of the 2008 Annual General Meeting**

According to the principles for the Election Committee passed at the 2007 Annual General Meeting, H&M 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 composition of the Election Committee is based on shareholdings as at 31 August 2007.

For the period up to the 2008 Annual General Meeting, H&M's Election Committee comprised:

Stefan Persson, Chairman of the Board, representing Stefan Persson,  
Lottie Tham representing Lottie Tham,  
Tomas Nicolin representing Alecta,  
Jan Andersson representing Swedbank Robur Fonder,  
Peter Lindell, representing AMF Pension.

The members of the Election Committee represent just over 73 percent of the votes in H & M Hennes & Mauritz AB. The above Election Committee shall continue to exist until a new Election Committee is appointed.

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 8 May 2008 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 2007 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.

Other than the Election Committee's own proposals for the composition of the Board, the Election Committee has received no external proposals for Board members. However, two letters have been received from foreign shareholders wishing to see independent representatives on the Election Committee. Since the Election Committee follows Swedish practice, this answer was given by letter accompanied by the brochure Special Features of Swedish Corporate Governance, which explains differences between Swedish and foreign corporate governance.

The Election Committee will propose to the 2008 Annual General Meeting that the Board be expanded by one ordinary member, i.e. so that it has nine Board members elected by the general meeting and no deputies elected by the general meeting (previous year eight Board members elected by the general meeting and no deputies elected by the general meeting).

It is proposed that all the present Board members be re-elected, and that Mia Brunell Livfors be elected to the Board as a new member.

Mia Brunell Livfors was born in 1965 and is currently President and CEO of Investment AB Kinnevik. She is also a member of the boards of Metro International S.A., Tele2 AB, Transcom WorldWide S.A., CTC Media Inc. (a Russian associated company of Modern Times Group MTG AB), Korsnäs AB and Mellersta Sveriges Lantbruks AB (since 2006), and of Millicom International Cellular S.A. and Modern Times Group MTG AB (since 2007). Her shareholding in H&M, including that of related parties, amounts to 300 shares.

The proposed composition of the Board meets the requirements of the Exchange Stockholm's 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, more than half of the proposed Board members are not independent of the company and the company management. This means that the proposed composition of the Board deviates from the rule in the Code stating that a majority of the Board members elected by the general meeting must be independent of the company and the company management.

H&M deviates from this rule in that four of the Board members elected by the general meeting – Stefan Persson, Fred Andersson, Bo Lundquist and Stig Nordfelt – have sat on the Board for more than twelve years, and one Board member elected by the general meeting is employed by the company. The explanation given by the Election Committee for the first deviation is that H&M should have a Board made up of members who have come to know the company and its business very well over a long period of time. The second deviation, which is that an employee – Karl-Johan Persson – is also a Board member, is deemed natural in this case in view of the ownership structure of H&M.

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

The Election Committee proposes the following resolutions to the 2008 AGM:

- Lawyer Sven Unger as chairman of the meeting.
- Nine Board members and no deputies.
- It is proposed that Board fees be increased by SEK 350,000 to SEK 4,250,000.  
Chairman of the Board +SEK 100,000 to SEK 1,350,000  
Board member +SEK 25,000 to SEK 375,000  
Chairman of the Auditing Committee +SEK 25,000 to SEK 125,000

Member of the Auditing Committee +SEK 25,000 to SEK 75,000  
The member employed by the company is paid no Board fees.

- It is proposed that, as previously, the auditors' fees be paid based on the invoices submitted.
- Election of Mia Brunell Livfors as a new member. Re-election of all existing 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 and election of members of the Election Committee. See Annex 1.

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

Election Committee, March 2008

### **Annex 1**

#### **ESTABLISHMENT OF PRINCIPLES FOR THE ELECTION COMMITTEE AND ELECTION OF MEMBERS OF THE ELECTION COMMITTEE**

The Election Committee proposes that the 2008 Annual General Meeting passes the following resolutions.

1. That the Annual General Meeting appoint the Chairman of the Board plus Lottie Tham representing Lottie Tham, Tomas Nicolin representing Alecta, Jan Andersson representing Swedbank Robur Fonder and Peter Lindell representing AMF Pension as the Election Committee. This Election Committee shall take up its duties immediately. Its term of office shall continue until a new Election Committee is appointed.
2. 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.
3. Unless the members of the Election Committee agree otherwise, the chairman of the Election Committee shall be the member representing the largest shareholder.
4. The Election Committee shall submit proposals to the 2009 Annual General Meeting for:
  - a) election of the chairman of the meeting
  - b) resolution on the number of Board members
  - c) resolution on Board fees for the Chairman of the Board and for each of the other members of the Board
  - d) resolution on remuneration for work on the Board committees
  - e) election of Board members
  - f) election of Chairman of the Board

- g) resolution on the number of auditors
  - h) resolution on fees to the auditors
  - i) election of auditors
  - j) election of Election Committee, or resolution on principles for the establishment of the Election Committee, as well as resolution on instructions for the Election Committee.
5. Should a shareholder represented by Lottie Tham, Tomas Nicolin, Jan Andersson or Peter Lindell notify the Election Committee that this shareholder wishes its representative to be replaced (e.g. because the person concerned is no longer employed), the Election Committee shall resolve that the person concerned shall leave the Committee.
  6. 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; in the first instance, a representative of the shareholder that was represented by the departing member, provided that the shareholder remains one of the five largest shareholders in the company.
  7. Should a shareholder represented by Lottie Tham, Tomas Nicolin, Jan Andersson or Peter Lindell no longer be one of the five largest shareholders in the company, the Election Committee may resolve that the member representing the shareholder shall leave the Committee. In which case, the Election Committee may appoint a new member; in the first instance, a representative of the shareholder that has become one of the five largest shareholders.
  8. Should a shareholder invited by the Election Committee to propose a member decline to make a proposal, the Election Committee shall invite the next largest shareholder that did not previously have a representative on the Election Committee.
  9. Changes to the composition of the Election Committee shall be published immediately.

*Comments: The Election Committee's proposal for members is based on previously applied principles for the composition of the Election Committee, namely that the Election Committee shall consist of the Chairman of the Board plus four other members representing each of the four largest shareholders in terms of votes other than any shareholder that may be represented by the Chairman of the Board. In other aspects, the proposal is also based on previously applied principles. The difference from the previous procedure is that, as the Election Committee now proposes, the Annual General Meeting appoints the members of the Election Committee directly. The Election Committee's proposals are based on shareholdings as at 29 February 2008.*