

STATEMENT PURSUANT TO THE SWEDISH CORPORATE GOVERNANCE CODE, SECTION 10.3 LAST PARAGRAPH

According to the Swedish Corporate Governance Code, the Board of Directors is to report the results of:

- the evaluation of programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management (the Code 9.1, second bullet point);
- the evaluation of the application of the guidelines for remuneration to senior executives that the Annual General Meeting is obliged to establish, as well as the current remuneration structures and levels in the company (the Code 9.1, third bullet point).

To read the company's complete guidelines for remuneration to senior executives see the company's website and pages 45-46 of the Administration Report in H&M's Annual Report 2012.

Evaluation of variable remuneration

This evaluation of variable remuneration relates to remuneration which was paid out during the financial year 1 December 2012 – 30 November 2013 and which is based on the fulfilment of targets for each individual concerned during 2012 and on the guidelines for senior executives adopted at the 2012 Annual General Meeting.

The largest portion of remuneration is fixed salary. This ensures that the incentive for individual senior executives to focus on the best interests of the entire company is maintained. At the same time, a limited level of variable remuneration serves as an incentive for the fulfilment of certain defined targets.

H&M's variable remuneration system (bonus scheme) is based primarily on the fulfilment of targets within the respective senior executive's area of responsibility. The size of the bonus per person is limited to 0.1 – 0.3 percent (depending on the recipient) of the dividend increase established by the Annual General Meeting. The maximum bonus per person has been set at SEK 0.3 – 0.9 m (depending on the recipient) net after tax. In individual cases other members of executive management, key individuals and country managers may, at the discretion of the Chief Executive Officer (CEO) and the Chairman of the Board, receive one-off payments of up to a maximum of 30 percent of their fixed yearly salary.

The variable remuneration that was charged to profit for 2013 relates to the senior executives' fulfilment of targets for 2012. The variable remuneration paid out to senior executives in 2013 amounted to SEK 2.9 (3.6) m. Variable remuneration to country managers amounted to SEK 2.5 (3.9) m and the CEO's bonus amounted to SEK 0 (0) m. There was no increase in dividend, so no bonus was paid with the exception of one-off payments made at the discretion of the CEO and the Chairman of the Board.

Under the guidelines, there is no requirement for such one-off payments to be invested in H&M shares. This applies only to the bonus amounts, which must be invested entirely in shares in the company that must be held for at least five years.

Annual General Meeting 2013

The Annual General Meeting held in 2013 resolved to remove the guidelines' link to the increase in dividend, since this does not best reflect the reward system that the Board wishes to achieve.

Instead the target criteria for the senior executives have been made clearer, with the outcome linked to the measurable profit targets (qualitative, quantitative, general, individual) set in advance within their respective areas of responsibility. These targets also include measurable targets for sustainability. The targets within each area of responsibility are aimed at promoting H&M's development in both the short and the long term.

To read the complete guidelines adopted at the Annual General Meeting in 2013 refer to the notice of the Annual General Meeting 2013 at www.hm.com or to pages 54-55 of the Administration Report in H&M's Annual Report 2013.

Preparations for the Annual General Meeting 2014

The Board of Directors of H & M Hennes & Mauritz AB has concluded that the company's current system of variable remuneration is, in the main, appropriate for its purpose. However, the Board will propose to the Annual General Meeting in 2014 that supplementary guidelines are introduced for certain senior executives (for the full proposal refer to the notice of the Annual General Meeting 2014 or to pages 55-56 of the Administration Report in H&M's Annual Report 2013).

The supplementary guidelines are based on a "stay on board" principle, which means that the remuneration linked to the supplementary guidelines is conditional upon the senior executive affected by the supplementary guidelines remaining employed within the H&M Group for at least five years.

The Board's reasoning for the supplementary guidelines is as follows: in view of H&M's strong expansion phase and the important development phase that H&M is in, including multi-brand and multi-channel developments, the aim is to ensure that the key individuals in senior positions who are affected by the supplementary guidelines remain with the H&M Group during this important development phase.

Evaluation of guidelines for senior executives and remuneration structures

The Board of Directors has concluded that H&M pays remuneration that is both in line with the market in general and competitive. The largest portion of remuneration consists of fixed salary. The maximum amounts of variable remuneration have been the same for a number of years. The variable remuneration, which is based on the fulfilment of targets within the respective area of responsibility, is deemed to be moderate and straightforward.

The company's pension terms are in line with what is generally offered in the market. No severance pay agreements exist other than with the CEO.

H&M has previously established the H&M Incentive Program, a profit-sharing scheme for all employees. Contributions are made to an employees' foundation that will allocate units to employees who have worked for the company for a certain period of time. The Board of Directors believes that this is an effective way of rewarding employees for their efforts.

All things considered, the Board of Directors believes that H&M has a moderate and appropriate remuneration system with respect to both structures and levels in the company.

The Board of Directors

March 2014